

# Nation's Business

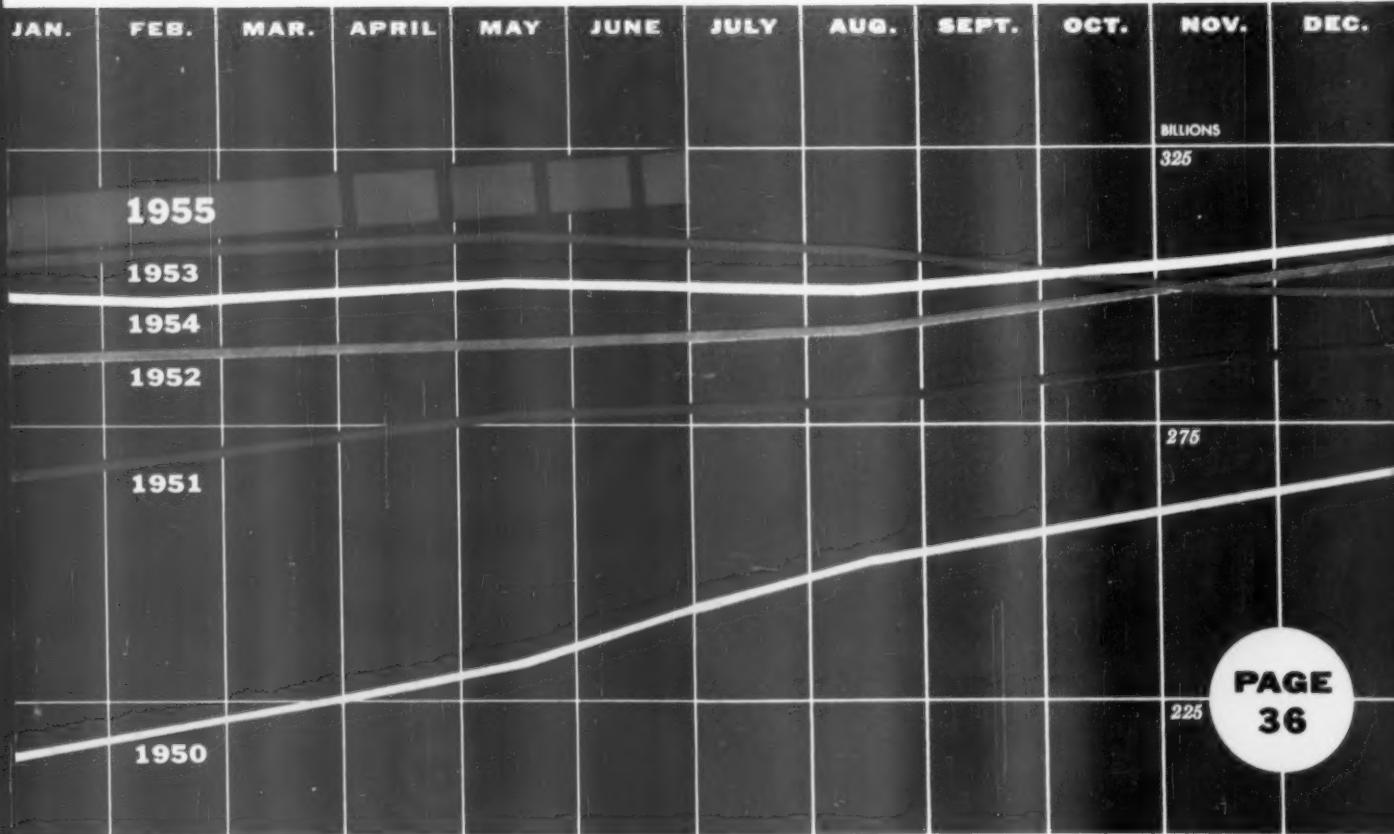
A MAGAZINE FOR BUSINESSMEN

JULY 1955

## SECOND HALF LOOKS GOOD

*Exclusive interview with Dr. Ewan Clague,  
nation's Number One statistician.*

NATIONAL INCOME: (annual rate)



PAGE  
36

50 more antitrust cases are coming **PAGE 25**

Your trouble shooter at Big Four

Unions buy blue chip stocks

PA

UNIVERSITY MICROFILMS  
E. B. POWER  
313 N. FIRST ST.  
ANN ARBOR MICH  
382 512

SAMPLE

34



The slowness of shipping had Brown in a knot.  
To set himself free he'd have given a lot...



Then he straightened things out this fast, easy way,  
Now RAILWAY EXPRESS speeds his shipments today!

## The big difference is

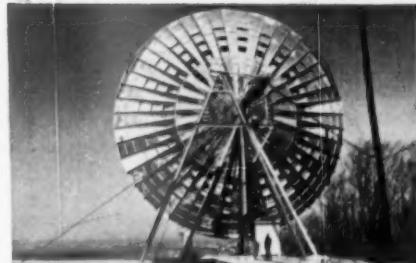
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shipment is big or small, and whether it's  
moving by rail or air—you'll find it pays to specify  
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in speed, economy, and safe, sure delivery.

• • •

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enterprise at its best, putting at your service one-  
third of a million miles of co-ordinated rail, air, water,  
and truck routes that connect all America.



...safe, swift, sure



**GIANT ANTENNA.** This Bell Laboratories 60-foot experimental antenna is the largest in the world for ultra-high frequencies. It can pick up telephone and television signals sent directly through space for 200 miles.



**HOW IT WORKS**—High-power transmitters and giant antennas force ultra-high-frequency waves beyond the horizon. The main beam goes out in a straight line. But a small amount of energy moves out in other directions, and some of it is picked up by the receiving antenna. Thus the signals "bend" around the earth.

## There's Something New on the Telephone Horizon

**New way to use UHF radio has possibilities for both Long Distance calls and television**

We're always seeking new horizons in the telephone business. And this one really deals with horizons. It's based on the finding that part of an ultra-high-frequency beam can be "bent" around the curve of the earth.

For years men thought the kind of radio waves that could be used in

relaying telephone calls and television moved out only in a straight line. But now scientists at Bell Telephone Laboratories and Massachusetts Institute of Technology have come up with something new.

They have found a way we can send these tiny waves over the horizon. Thus, without any relay stations, we might send hundreds of telephone calls and maybe television programs for as far as 200 miles.

You can see how this is important over water, where we can't build re-

lay towers. And in rugged country, too, where towers would be costly.

The way we do it is with 10-kilowatt transmitters and 60-foot antennas. This is twenty thousand times the power and thirty times the antenna area we use in our microwave systems that send your telephone calls and television from coast to coast.

We think the over-the-horizon technique will be another helpful tool for telephone men to use. And one that will mean more and better service for more and more people.

BELL TELEPHONE SYSTEM





#### Electrical Contractor

"We're going to follow the George S. May rule book to the letter."

W. L. Ratcliff, Gen. Mgr.  
W. L. Ratcliff Co.  
Shreveport, La.



#### Petroleum Trucking Operator

"You set up a profit and expense control that immediately improved our cash position."

Katherine Mitchell, Pres.  
H. F. Johnson, Inc.  
Billings, Mont.



#### Wholesale Lumber Company

"Your survey showed up so many weaknesses that we were convinced of the immediate need for engineering."

Clem Knecht, Partner  
Knecht Lumber Co.  
Rapid City, S. D.

# Make more money with George S. May Engineering!

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**CERTIFIED  
Business Engineering  
REPORT**

W. L. RATCLIFF CO.  
Electrical Contractors

**Knecht**  
LUMBER COMPANY

September 15, 1954

George S. May Company  
Engineering Bldg.  
Chicago, Illinois

Gentlemen:

We had heard a lot of things about your company before your representative called on us: some people said that you did very good work, others said you were a high pressure outfit. We needed help, so we didn't think we could lose too much by going along with one of your \$100 surveys.

The survey showed up so many weaknesses that my father, my three brothers and I were convinced of the immediate need for engineering work.

Our company, which was established in 1928, is one of the largest wholesalers of building materials in the Midwest. We serve more than 250 dealers in the 5 state area of the Dakotas, Montana, Wyoming and Nebraska. We have 67 employees, an increase of 15 in the last 4 months. We take the entire output of 3 lumber mills, with 2 railroad sidings, to handle an average of 2 carloads of material a day.

Your engineers did some excellent work for us. They developed a functional system of organization that eliminated the overlapping of duties. They set up an accounting procedure that was easy to operate and that gave us important figures in time to do something about them. They installed a practical method of inventory control that was absolutely essential to our expansion. They developed many other necessary and needed controls in our many warehouses and yards. They gave us useful yardsticks to forecast sales, costs and profits.

We are now operating at better than a \$3,000,000 annual volume. Due to our very rapid sales growth, our net profit is still below our expectations. But the long range effect of your business engineering is just beginning to make itself felt.

All 5 of us Knechts are in agreement that your company does good, honest business engineering work. We are just now beginning to get the real benefits from the preceding and stimulation that you gave our thinking. From our experience, it looks all it has invested in engineering, and adds confirmation. We are determined to follow through on your recommendations so that we can get the full measure of good from them.

Yours truly,

*Clem Knecht*  
Clem Knecht  
KNECHT LUMBER COMPANY

IN THE BLACK HILLS

## George S. May Company

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NEW YORK 17, 122 East 42nd Street, OXFORD 7-3900 CANADA, 1178 Phillips Place, Montreal, UNIVERSITY 6-9152

# Nation's Business

JULY 1955 VOL. 43 NO. 7

PUBLISHED BY THE CHAMBER OF COMMERCE OF THE UNITED STATES

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As the official magazine of the Chamber of Commerce of the United States this publication carries notices and articles in regard to the Chamber's activities; in all other respects the Chamber cannot be responsible for the contents thereof or for the opinions of writers.

Nation's Business is published monthly at 1615 H St. N.W., Washington 6, D. C. Subscription price \$18 for three years. Printed in U.S.A. Entered as second-class matter March 26, 1920, at the post office at Washington, D. C.

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## It's better business to buy Chevrolet Trucks! They're the most modern, most advanced trucks

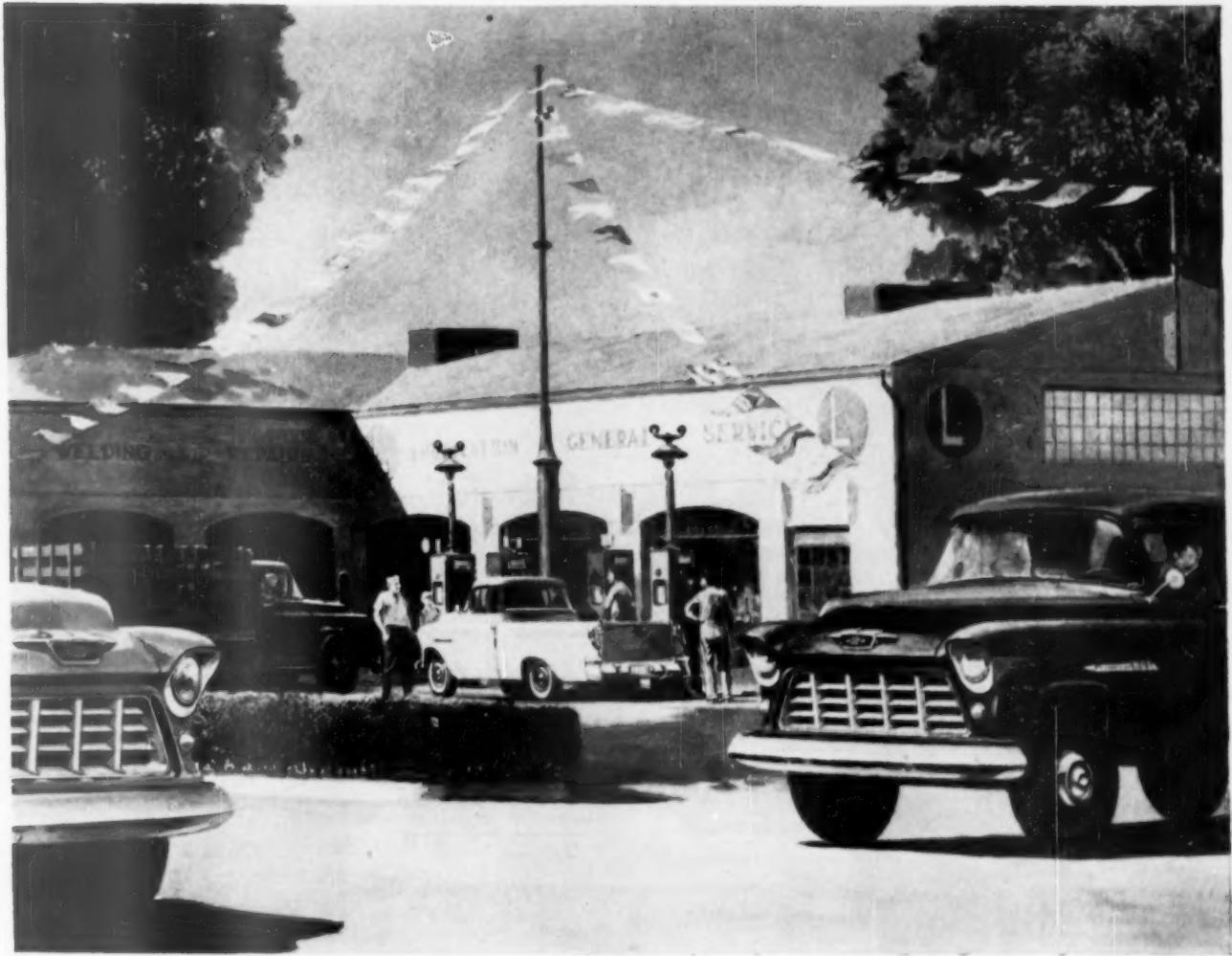
And that means *your* job! For whatever your trade or task, there's a new Chevrolet truck made to match it with the newest of engineering advances.

You can tell just by looking that these new Chevrolet trucks represent a whole new approach to truck design. They're the world's first Work-Styled trucks with a fresh, eager champing-at-the-bit look, and with *two* distinctively different styling

treatments—one for light- and medium-duty models, another for heavy-duty. That means your new Chevrolet truck will be dressed right for your job. And what an advertisement it will be for you and your business!

But styling's just the beginning! These trucks are new from the drawing board out! New cab . . . new frames . . . new engines with modern 12-volt elec-

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## ►KEEP YOUR EYE on steel prices this month.

Their ups and downs reach into every corner of U.S. economy.

Here's why:

Automobiles this year take about 24.1 per cent of total steel production--highest percentage on record.

About 18 per cent goes to warehouses, distributors, for scattered uses.

Construction and related equipment uses another 17 per cent.

Remaining third goes into defense, appliances, railroads, machinery, other categories.

Note: While labor is biggest single item in steel cost, price of other metals is factor too.

Examples:

Steel industry this year will buy more than 35,000 tons of aluminum, 40,000 tons of tin, 15,000 tons of lead, 285,000 tons of zinc, 45,000 tons of copper, 38,000 tons of nickel.

These metals go into alloys, coatings, plate.

## ►OVERHEARD at Senate Foreign Relations Committee hearing:

One senator to another, discussing shortage of engineers, scientists in U. S. compared with Soviet Union:

"I wonder sometimes if the communists care more about their security and survival than we do about ours."

## ►HIGH SALES keep store shelves light despite booming production.

Here's over-all sales, inventory picture. It points to strong support for business in coming months:

Sales (current annual rate) of manufacturing, retail and wholesale trade, '55: \$50,000,000,000.

In '54: \$46,700,000,000.

That's gain of \$3,300,000,000 over year ago.

Inventories?

They're valued at \$77,300,000,000 now as against \$76,900,000,000 year ago.

That's gain of \$400,000,000 in year.

New orders on manufacturers' books?

In '55 (annual rate): \$26,700,000,000.

In '54: \$23,100,000,000.

That's increase of \$3,600,000,000.

In short: Sales, new orders run far ahead of inventory buildup, underscore continuing strong consumer demand.

Note: In peak '53, more than \$5,300,-000,000 of total national output went into inventory.

Today, less than \$1,400,000,000 goes into inventory.

## ►HOW SOFT are economic soft spots?

Despite peak business activity, some economists voice concern over:

1. Declining farm income.
2. Consumer debt expansion.
3. Dip in auto, housing sales.
4. Failure of employment to keep pace with production.

Let's look deeper:

1. Farm income's down five per cent over-all--but it's spread among fewer farmers.

Per capita farm income's equal to '53, '54--that's reflected in sharply increased orders for farm implements, up 12 per cent from year ago.

2. Consumer debt (at about \$30,000,-000,000) is lower relative to personal income (\$296,500,000,000) than at any time in past three years.

3. Auto sales dip is largely seasonal--means many prospective customers are waiting for '56 models.

Changeovers start this month and next, may even add to current '55 model inventories, now at about 700,000 cars.

In housing FHA keeps tabs on 26 areas to curb speculative home-building, sees no saturation point in current 1,300,-000 rate of new home starts.

At same time, mortgage delinquencies are lowest on record.

4. Employment's stabilized for most part. Bureau of Labor Statistics says hard core of persistent unemployment is small, localized.

Economists say they'd be more concerned if employment does not keep up with production.

Why?

That means no gain in productive efficiency--hence no added funds for business to invest to provide more jobs.

## ►BANK LOANS to business will rise five to 15 per cent in second half.

That's opinion of 169 top bankers,

coast to coast, who make 35 per cent of business, industrial loans.

Here's how they break it down:

Largest loan increases will be made in petroleum, metals manufacturing, wholesale and retail trade, sales finance, construction.

Loans will stay about as is in transportation, food, tobacco, textiles, utilities.

No declines are forecast.

►U. S. WILL BOOST strategic stockpile objectives.

Why?

Manufacturing activity, at record high, creates shortages in copper, aluminum.

That means some metal's diverted to private industry, must be replaced.

In addition: Expanded air defense program calls for upward revision of stockpile needs in some metals (cobalt, titanium are two).

Current objective, dollar-wise: \$9,764,000,000.

Reached to date: \$6,460,000,000.

Difference: \$3,304,000,000.

Note: Breakdown of specific outlays is classified information. Office of Defense Mobilization lists aluminum, nickel, copper, zinc, lead as needed. Won't say how much.

Uranium stockpile is under Atomic Energy Commission.

►GOVERNMENT FINDS ITSELF in guaranteed wage fight--whether it likes it or not.

Here's why:

Major auto contracts include industry demands that contributions to plan be:

1. Deductible for income tax purposes.

2. Excluded in computations under wage-hour laws.

3. Allowed in costs to government for employes on defense work.

Note: Internal Revenue Service, Labor and Defense Departments must rule on these points in near future.

►PERSONAL INCOME is up \$10,000,000,000 from year ago--to \$296,500,000,000.

That's annual rate at start of second half.

Wages, salaries run at \$7,000,000,000

rate over '54--\$209,300,000,000 against \$202,300,000,000.

Proprietors', rental income is up \$1,000,000,000 to \$49,700,000,000.

Interest, dividends total \$24,800,-000,000, up \$500,000,000.

Transfer payments, other increases account for remaining \$1,500,000,000.

Consumer spending is up \$8,000,000,-000 (annual rate) over '54, stands at \$242,000,000,000.

►BIG BUSINESS is local.

Example:

Western Electric, purchasing agent for Bell System, buys from 27,270 suppliers in 48 states, 19 foreign countries.

Payments for supplies, materials are expected to top \$680,000,000 this year.

Local firms supplying W. E. do business in 2,958 cities and towns; 80 per cent have fewer than 500 employes.

►FUTURE NEEDS spur industry expansion plans.

That's factor to keep in mind if you think there's some weakness in current demand.

Here are examples:

Oilmen will spend \$1,000,000,000 this year in search for new wells, another \$3,000,000,000 for drilling in fields already discovered.

That's despite current oil surplus.

Note: Second round of off-shore oil leases in Gulf of Mexico will be signed this month.

Bidding will be spirited, experts say, since oilmen see doubled demand within 20 years.

Steel: While mills are not operating at 100 per cent capacity (revised to 125,000,000 tons annually at start of this year), capacity will be raised at least another 10,000,000 tons.

Office of Defense Mobilization, steel firms, are working out tax write-off arrangements now for new round of expansion.

►ATOMIC ENERGY boosts demand for coal.

Here's how it works:

Atomic Energy Commission's plants are largest single consumer of electricity in U. S.

## MANAGEMENT'S

# washington letter

Bulk of power is generated from coal. Three nuclear plants alone, says AEC, require 20,000,000 tons of coal a year.

►TREASURY NEEDS \$9,600,000,000 during second half of '55.

Refunding of debts falling due in six-month period requires \$9,200,000,000.

Remainder is cash need, about same as year ago.

But lengthening of debt maturities pays off:

In '54 (second half) Treasury faced refunding job of \$16,500,000,000, had to ask for debt limit rise.

By spreading out debt into medium, long-term securities, Treasury cuts its refunding job 44 per cent in year.

►U. S. PUSHES DEEPER into insurance field.

Examples:

You'll hear talk of federal regulation of insurance for atomic energy plants.

U. S. probes health, accident field with view to setting up federal code.

Likewise with union welfare, pension plans; credit and small loan insurance.

Federal employees' group life, health insurance is largely under U. S. control--though written by private firms.

U. S. pays premiums for bonding of Internal Revenue employees, plans to expand practice to other government departments.

Labor Department readies model workers' compensation act for states to follow.

U. S. underwrites war risk insurance for shipbuilders.

Government also seeks:

1. Health reinsurance law.

2. Broadened Social Security.

3. Self-insurance for farm crop loans by Commodity Credit Corporation.

Note: Congress in '45 declared its intent (P.L. 15) that states regulate insurance firms.

►LONG-TERM MORTGAGE loans aren't so long.

Some run 30 years under VA, FHA terms. But, realtors point out, average life of mortgage under first signer

is little more than seven years.

What it means:

Population's mobile, high turnover rate includes families with higher incomes upgrading housing needs.

Note: Realtors are more concerned with possible slowing turnover than with overbuilding.

►DON'T COUNT next year's tax cuts yet.

They're in the making--Congress piles up ammunition for showdown fight in next session.

Proposals of both parties will include broader Social Security coverage, bigger bite out of your pay check for trust fund.

Remember: Tax cut of 5 per cent applies only to taxable part of income.

Social Security rate applies to total income, up to \$4,200 a year.

Example: If you pay \$900 in personal income tax, 5 per cent cut comes to \$45.

One per cent boost in Social Security tax on same income amounts to \$42.

So--you'll be richer by \$3, not \$45.

►BRIEFS: 37 per cent of U. S. farms produce 85 per cent of farm output; one in six, more than 1,000,000 farms, have been absorbed by merger in past decade....30,000 firms will spend \$1,000,-000,000 this year for social, athletic programs for their employees....Loans made by International Bank so far total \$2,284,358,464; amount went for 121 loans to 39 countries....More than 2,500 miles of toll roads are under construction and still unpublished Bureau of Public Roads report says 7,000 more miles could be self-liquidating....Navy will start program soon to replace some or all of \$150,000,-000 worth of machine tools....Mortgage payments on new homes overdue two months or more are at all-time low (.16 of one per cent) says Mortgage Bankers Association....Private funds for insured farm loans are expected to top \$80,000,000 by year's end; more than 260 banks, insurance firms, other institutions have invested in program....Monkey business: Pakistan says it has annual export potential of \$500,000 rhesus monkeys--they're vital to Salk polio vaccine program.

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# **Letters TO THE EDITOR**

### **Engineer rebellion**

In your article "How's Business," you list such things as agriculture and construction, but how about the future of engineers? In your "Preview of 1960" you do mention technology, and you consider technology the greatest resource, even above management. Yet every engineer knows that there is only one way to better himself economically.

That is why the good engineers enter management and sales.

Why is the engineer unheard of in song, story, popular opinion and popular advertising? How can management take the credit for the task of practical application of the discoveries that come out of the laboratories? The engineer supplies the how. Science supplies the why. Management tells us where and when. But without the how, the why, where and when become unimportant.

When anyone asks about my profession, and I tell them, I always get the same answer: "Oh, yes, you make blueprints." They never say: "Oh, yes, you create the things that make it easier and happier for us."

Industry must believe in its engineering staffs. The dime a dozen attitude of management must become a cliche of the past.

RAY WILBURTH, president,  
Engineering Arts, Inc.,  
Milwaukee, Wis.

**NOTE:** Engineering Manpower Commission says U. S. needs about 40,000 new engineers yearly. Schools will graduate 21,000 in 1955.

### **Duplicated natural rubber**

We noted, with some concern, a statement in the editorial "Government Leaves, Progress Begins," (June issue) reading: "according to reports, one company has already duplicated natural rubber. The company does not verify this..."

Attached is a copy of our release on this research discovery which will be of interest to you.

H. W. MAXSON,  
The B. F. Goodrich Co.,  
Akron, Ohio

**NOTE:** The release says, in part: "American scientists have finally succeeded in reproducing the true molecule of crude, or tree-grown rubber, a major scientific achievement, it was announced by William S. Richardson, president of Goodrich-Gulf Chemicals, Inc., which is owned half by the Gulf Oil Corporation and half by the B. F. Goodrich Company. (W. I. Burt is now president of Goodrich-Gulf, and Mr. Richardson is president of B. F. Goodrich.)

"The actual discovery was made in

the B. F. Goodrich Research Center, Brecksville, O., by a research team assigned to the project by Goodrich-Gulf Chemicals, Inc. Joint teams of scientists in both Gulf and B. F. Goodrich laboratories have long been at work using a new approach to the challenging assignment.

"The new man-made rubber has not yet been named, Mr. Richardson said, but patent applications have been filed with the U. S. Patent Office. . . . He said that although the new material can be used to replace crude rubber, the fact that it can be made will not obsolete rubber plantations. This is true because tree rubber can, on the more efficient plantations, be produced for a much lower cost than the presently indicated cost of the new material. However, he pointed out the new man-made rubber when in production will in effect place a ceiling on the price of crude rubber."

### **Why exempt unions?**

Leo Wolman's "Labor Builds Political Power" (June issue) was well done, yet I feel he omitted one of the most vital points.

We all have to keep books. Why should not the unions also have to do it?

If they are exempt, why not excuse U. S. Steel and others? I feel certain that 75 per cent of union members would be glad to know how their money is spent, as it would prevent unlawful use of the funds for political purposes, which Mr. Wolman admits cannot be traced.

I approve of the right to unionize, but wish to protect union members from dictatorship, and from the grafting of union funds.

JOHN C. PERCY,  
Interlaken Inn,  
Lakeville, Conn.

**NOTE:** Taft Hartley Act requires unions to make financial reports if they wish law's protection.

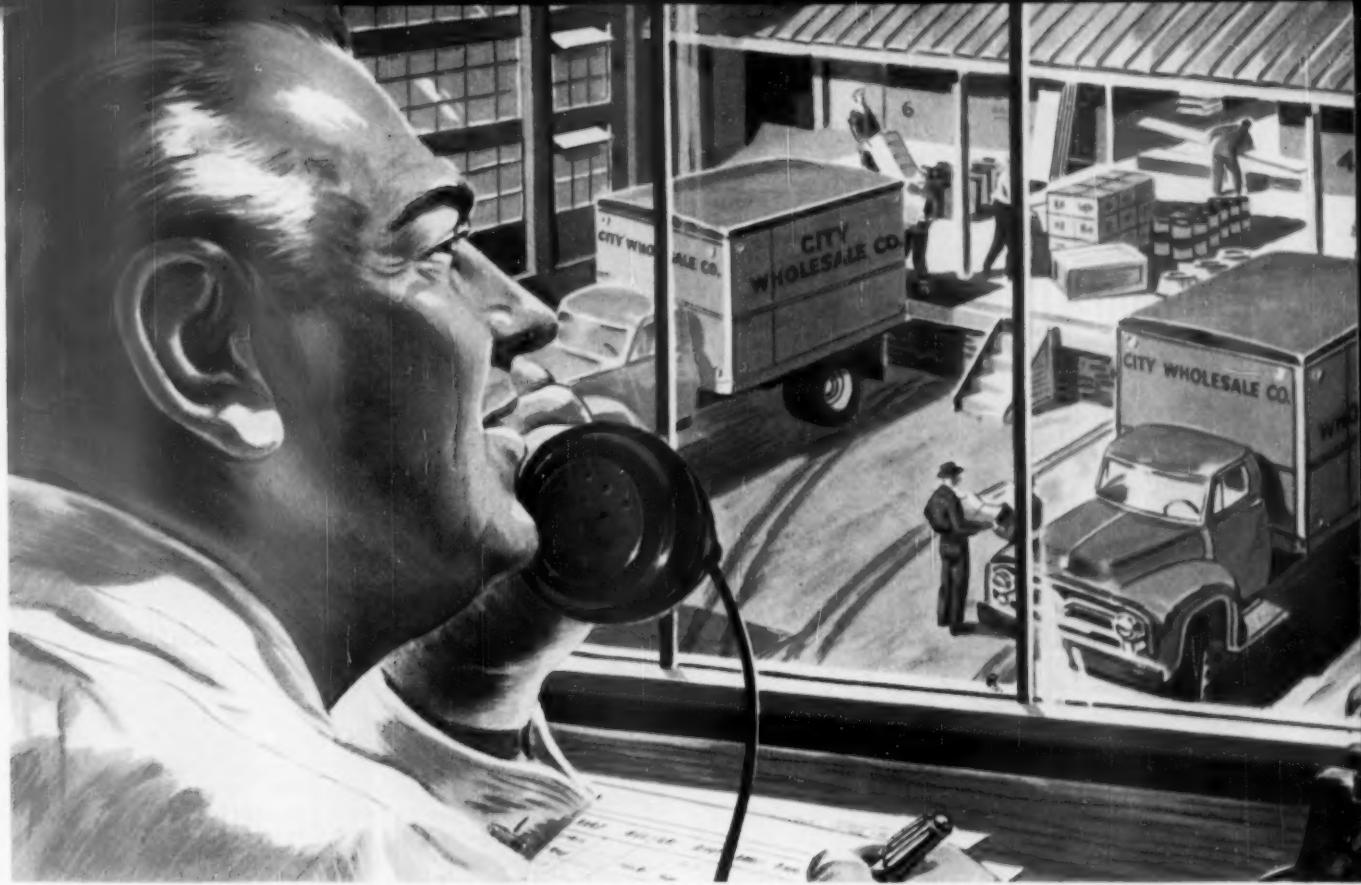
### **Informative even to source**

I recently read your very interesting article on the National War College at Fort Lesley J. McNair (April issue).

It was a very good article, informative even to the officers stationed here at Fort McNair.

On page 29 there was an excellent aerial photo of Fort McNair showing the National War College. We would like very much to obtain a print of this photo . . . in our planning program we need one of this type for presentation purposes and we have none available here.

2/LT. ROBERT L. WOLD  
Fort Lesley J. McNair  
Washington, D.C.



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van and stake body trucks are always ready for immediate use.

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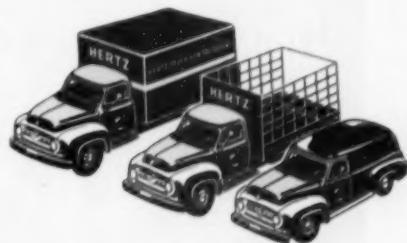
**How small the cost?** For example: the rate for the use of a  $1\frac{1}{2}$ -ton stake truck for 4 hours in Little Rock, Arkansas, is only \$3.70, plus 9 cents per mile, including gasoline, oil...and insurance. Thus, the total cost for a 30 mile trip is only \$6.40. Rates are lower by the week or long-term lease. (In some cities, the rates may vary slightly from the above example.)

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## BY MY WAY

Ross Duffus



### But there's no going back

I am about to have a birthday. I won't say how many years it stands for, or precisely when it will occur. I know it will bring forth expressions of good will from my relatives and friends, and perhaps a few articles of plunder. But I would just as soon not have it. I wish now that I had followed my original impulse and stayed at age 21.

### The age of vacations

A hotel man who ought to know has estimated that before the year is over 82,500,000 Americans will have spent about \$10,000,000,000 on vacations. A little more than half these vacations will be taken in the summer, about 22 per cent in the fall, about ten per cent in winter. About 17 per cent have already been taken—in the spring. The expert—Mr. Fred L. Mino, of New York City—wasn't quoted as to the length of the average vacation. Nor did he look into the question of those who like their work so much that it seems like a vacation—or so little that they just make it vacation by not working, except when the boss is looking. But the essential point about vacations is that a generation or so ago almost nobody took them, except under doctor's orders. No male, anyhow. The common man couldn't afford to. The affluent felt ashamed to. Now everybody does. This is the Age of Vacations. I like it. I think I'll take one. Or several.

### Cooking and the out-of-doors

I see where we Americans are expected to spend about \$30,000,000 this year on outdoor cooking gadgets, including, in some cases, the electrically ignited kind. If we are expected to do this we will—the cost per capita is only about 18 cents, and that we can afford. But my mind goes back to the good days when my young friends and myself cooked outdoors for nothing—we stole the

potatoes, or rifled the pantry, and did the cooking up in the cow pasture.

### What d'ye mean, quaint?

I might also remark that nothing makes me feel older than to have something I regarded as quite normal just the other day—a style in women's hats, the habit of taking walks on country roads, the custom of reading a book at home in the



evening, a tendency to put some of one's income in the bank instead of spending all of it as it comes in, and so on as far as you like—described as "quaint." Of course, maybe it's myself that's quaint.

### The little home nest

My wife and I sometimes think our present little home in the country (where we stay when we're not in the city or on vacation or on business elsewhere) is too big for us. What we are looking for is a small house with two bedrooms, two baths, a modern kitchen or kitchenette, a living room, a den (for me, when I feel like going off and growling), a game room, a music room, and some other spaces that would occur to me if I had time to give the matter more thought. I wonder why real estate agents and other persons snicker under their breaths, or even over their breaths, when I outline these modest requirements to them.

### Our bird friends

Relations between birds and the human race continue to improve. For instance, two Chicago ducks sitting on a batch of nine eggs some time ago succeeded in holding up

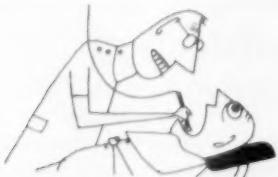
what the United Press referred to as a "\$100,000,000 construction job." Workmen engaged in putting up a water filtration plant refused to disturb this domestic, if I may say so, setting. I don't know how ducks and robins get along, but this incident was followed by one in Grand Rapids, Mich., in which a robin, or robins, built a nest on the ledge of a nursery window, so that the children inside could watch the emergence, if I may again say so, of the children outside. I feel encouraged. Maybe some day people will be as good to people as people are to birds, and vice versa.

### Number, if any, please

Manhattan Island, which is just a part of New York City, had more telephone listings this year (1,622,460) than Italy had in 1953 (1,540,909). This may prove that it is easier to telephone in English than in Italian. In fact, I find it so—and I have tried both languages. But my Italian friends do not agree. They say Italian is easier. I am forced to the conclusion that we like to talk and that the Italians don't, at least not so much. Will the reader excuse me? My phone is ringing.

### The barber vs. the dentist

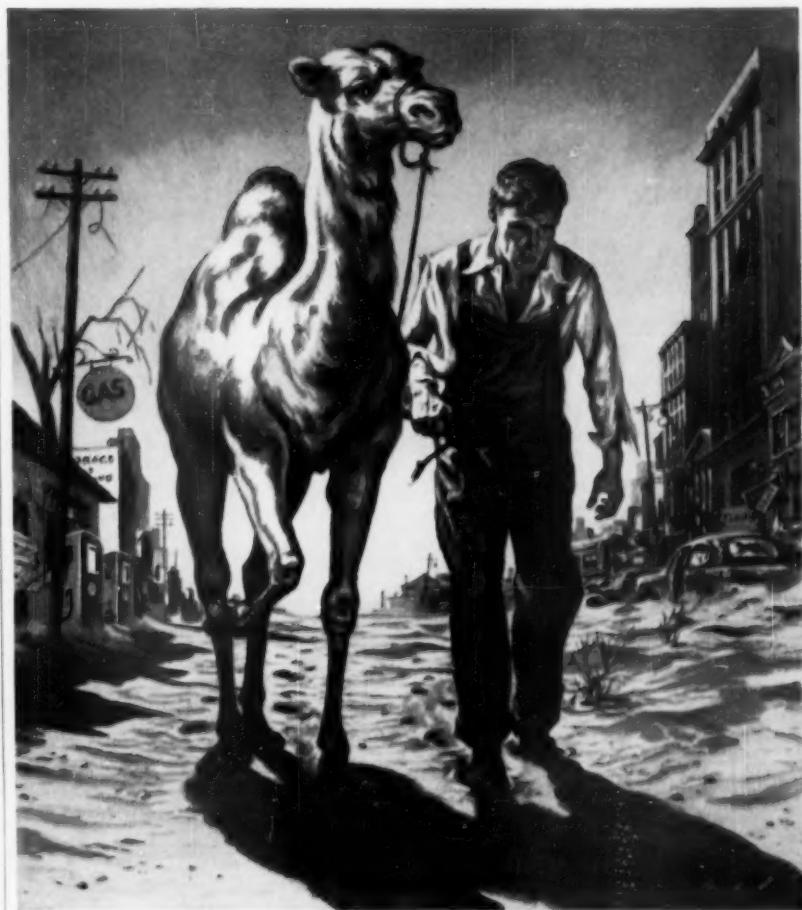
A speaker at a union convention advised American barbers to talk less about the weather and more about politics and economics. Maybe he was right. Most of the barbers I know talk about baseball during the baseball season and about weather



the rest of the year. But I don't believe barbers talk more than other persons, and usually it is possible to talk back to them. It is dentists who have the real advantage when it comes to conversation.

### Fast, but not enough

I flew a surprisingly long distance in an astonishingly short time the other day, but when I arrived the person under my hat was still me—with all my failings and unsatisfied ambitions and longings. I wonder if some day some one will not invent a means of travel that will permit us to take off as the persons we really are and arrive at our destinations as the persons we would like to be.



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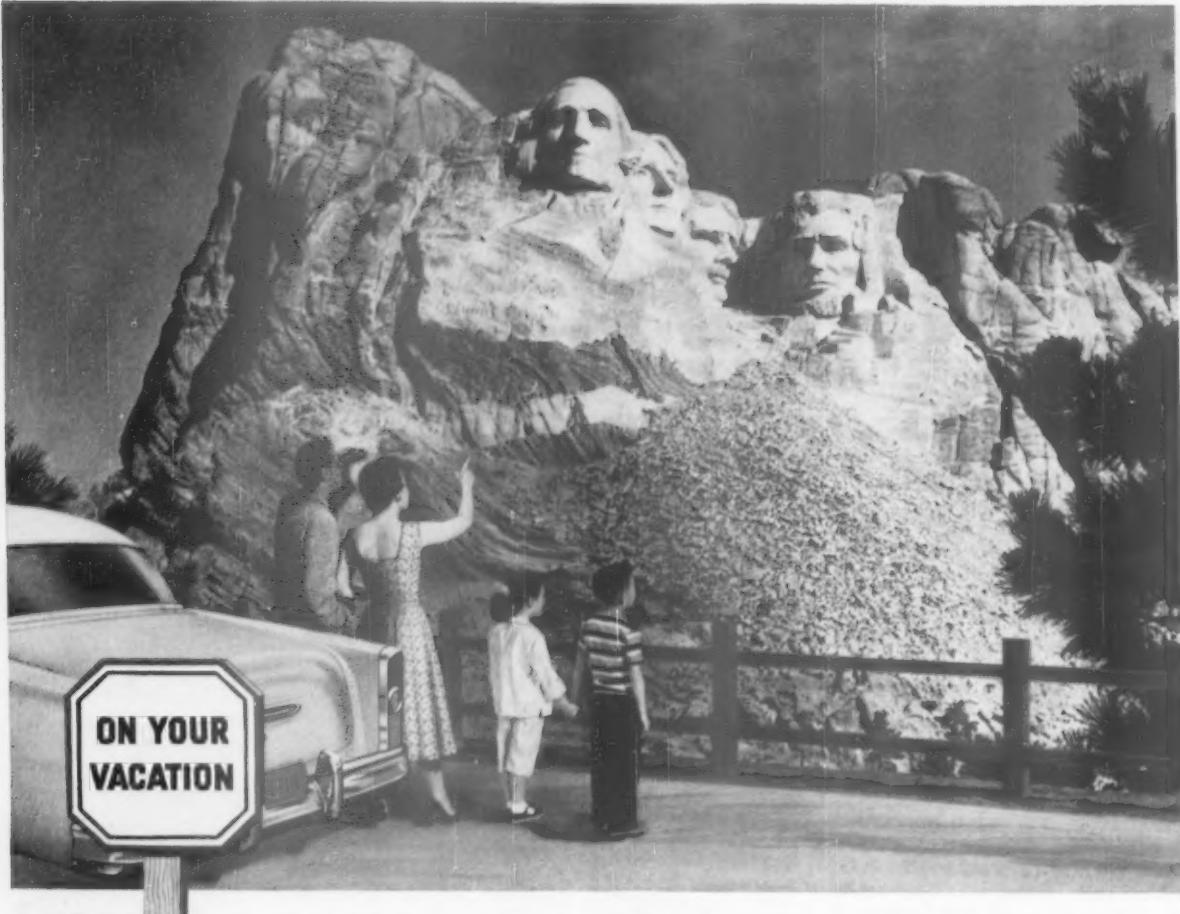


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Trends of Nation's Business:

## State of the nation

By Felix Morley



JOHN L. MORLEY

# Great power talks could open new era

WHETHER for better or worse, whether it succeeds or fails, the forthcoming great power conference is destined to be historic. For the United States, in particular, it will in effect decide the scale and nature of national defense, therefore the level of corporate and individual taxation, consequently such matters as the funds available for public education—and all this for years to come.

As the date approaches a keen public interest may be taken for granted. Many realize that their personal fortunes will be included in the gigantic stakes upon the board. Moreover, the clash of viewpoint between our delegates and those of Soviet Russia is almost certain to be dramatic. But interest alone is not enough. There must also be understanding of what this conference is, and what it is not.

Of first importance is the fact that this convention will be fundamentally different from any international congress of which men now living have personal experience. It will not be a peace conference, like that of Versailles in 1919, with victors assembled to dictate terms to the vanquished. It will not be a conference to establish an international organization, like that which launched the United Nations at San Francisco ten years ago. It will not be a conference called primarily to settle specific issues, like those of Yalta and Potsdam, of unhappy memory. It follows that criticisms based on blunders made at various recent international gatherings have little or no bearing.

The coming great power conference is unique, or nearly so, because every precise issue that comes before it will be secondary to the one overshadow-

ing problem that must be settled first. Can there be peaceful coexistence of the American and Russian systems, or will there be agreement only on the inevitability of an eventual conflict in which all civilization would all too probably perish?

• • •

Only one international conference of modern times can be cited as a precedent for that suggested by the governments of France, the United Kingdom and the United States on May 10, and formally accepted by the Russian government two weeks later. It is the famous Congress of Vienna, which sat in that city for nine long months in 1814-15 and reshaped Europe along lines which on the whole held firm for an entire century. Then, as now, the task was greater than the reforming of liquidated boundaries and institutions. The conferees had to agree first on the basic principles of reconstruction. We shall be fortunate if our contemporaries do as good a job as was done 140 years ago.

History never repeats itself exactly. But it produces some extraordinary parallels from which potentially helpful conclusions can certainly be drawn. In 1814 the French Revolution and subsequent Napoleonic wars had left all of Central Europe as broken, divided and confused as is the case today. Then as now the questions were: how to keep victorious Russia from dominating the Continent; how to unify and whether or not to neutralize Germany; how to restore exhausted and impoverished France; what to do about Poland and how to guarantee the future of Switzerland and other small countries. Fortunately the Congress of

## State of the nation

Vienna had no call to consider the interests of either the United States or China. But for all of Europe the dilemmas were remarkably similar to those of today.

Like that now planned, the Congress of Vienna proceeded at two levels. Both heads of government and their foreign ministers were present, the former "for an exchange of views" and the latter "to agree upon substantive answers," to quote the language used by our Department of State in its note to Moscow proposing the forthcoming meeting. Since there was this striking similarity, both in problems and procedure, it would seem that the philosophy which made the Congress of Vienna a success should also be applicable today.

• • •

The essence of this philosophy was to let bygones be bygones; to avoid the attribution of guilt for a common disaster and to encourage victors and vanquished alike to rebuild cooperatively as partners.

Thus, although the ruthless French aggression had devastated and plundered most of Europe, France was seated as an equal with the Allies that had combined against her. Indeed, Talleyrand, the unscrupulous foreign minister of Napoleon, soon emerged as the most influential single delegate to the Congress of Vienna. Under modern procedures Talleyrand would certainly have been stigmatized, and probably executed, as a war criminal. Happily for Europe there was less vindictiveness in 1814.

For it was Napoleon's turncoat assistant who, ironically enough, fathered the principle on which the reconstruction of the prostrate continent was based. In a memorandum to Austrian Foreign Minister Metternich, dated Dec. 19, 1814, Talleyrand wrote his formula for posterity. Europe's calamities, he said, root in its failure to recognize the imperative need for constitutional government. Without a constitutional system "peoples have no rights distinct from those of their rulers, and may be treated like cattle on a farm." Furthermore, said Talleyrand, without reliable constitutional restraints there is no basis for international order, because the doctrine that might makes right is paramount. So warlords take the saddle, even though they are "equally detestable" to civilized people "in Vienna, in St. Petersburg, in London, in Paris, in Madrid and in Lisbon."

Talleyrand had earlier spent nearly two years (1793-95) as an exile in the United States. And there is reason to think that this brilliant Frenchman's advocacy of constitutional government evolved from his personal observation of how well it worked in our own infant republic. Certainly Talleyrand was close to American political theory in his constant emphasis on "the principle of le-

gitimacy," as a corollary of constitutionalism. Over much opposition he finally persuaded the Congress of Vienna to accept this principle as a basis for the rebuilding of Europe after Napoleon.

No government is legitimate, Talleyrand insisted, unless its power is exercised in a manner acceptable to a majority of those who obey, and unless the freely expressed majority will is respected and observed by all who have the authority to command. If these conditions are observed, a government will be legitimate, regardless of its outward form. Thus a republic ruled by a directorate which usurps power is illegitimate, and should be overthrown, while a monarchy under a hereditary king who submits to his parliament is wholly legitimate, and should be sustained. Unless and until this principle of legitimacy is understood and accepted, mankind will never enjoy political stability, either in the domestic affairs of a particular nation, or in the relations of sovereign powers, one with another. So, in outline, ran Talleyrand's well-knit argument, as cogent today as in 1814.

• • •

The principle of legitimacy was finally accepted by the Congress of Vienna, partly because Napoleon's escape from Elba scared the recalcitrants into whole-hearted cooperation. Whether this same principle will be accepted at top level by the present Russian government is really the key question of the conference now scheduled to convene. Without giving much credit to Talleyrand, the West today is firmly wedded to his philosophy, which was essentially that of representative government as contrasted with dictatorship. But the Kremlin does not believe in legitimacy, and may be expected to resist any application of this liberating doctrine to its satellites.

A memorable feature of the Congress of Vienna, however, is that the then autocratic ruler of Russia—Tsar Alexander I—proved himself to be Talleyrand's most effective supporter in establishing the principle of legitimacy. The doctrine was sufficiently elastic to let Alexander indorse constitutional guarantees for other peoples, without attempting to apply them to his own. All that Alexander asked from Talleyrand, in return for indispensable support, was assurance that Russia would not again be invaded by another Napoleon. And Talleyrand convinced the Tsar that the principle of legitimacy gave that assurance.

With its action to liberate Austria, contemporary Russia began to evince a cooperative attitude comparable with that taken by Alexander I at the historic Congress of Vienna. What is necessary now is a western statesman who, while inspiring more confidence than Talleyrand, can, like him, assure the contemporary tsars that our faith in constitutionalism in no way implies a desire to ravage Russian soil again. And nobody is in as strong a position to give that assurance as our President.

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Trends of Nation's Business:

## Washington mood

By Edward T. Folliard



# Capital calm hides uneasy politicians

THE most striking thing about the Washington scene continues to be its placidity—the absence of anger, of political fireworks.

This is extraordinary when it is remembered that we have a split government and that a presidential election is coming up next year.

What is the explanation?

For one thing, it is almost certain that the situation in the national capital is to a large extent a reflection of the situation in the United States as a whole. Senators and representatives, with some few exceptions, say that their constituents don't seem to be steamed up about issues—at least, not to the point where they try to pressure them as they have done in the past. The lawmakers are not saying that their constituents are not interested in affairs, but only that "they don't seem to be mad at anybody."

Here is the way one Democratic member of Congress put it recently:

"My people are interested in just two things—peace and prosperity."

"Sure, they follow the big issues. They read every line that's printed on the Big Four conference. And they still worry about war with China. But most of them are making money and living pretty well. The ordinary issues don't seem to attract them."

That is one explanation for the relative stillness along the Potomac, but there are others.

The near-eclipse of Sen. Joseph R. McCarthy

as a headline figure has been a factor. The Wisconsin Republican kept Washington excited for the better part of four years (1950-54), to the delight of his admirers and the disgust of his foes. Then came the loss of Congress to the Democrats last year, and with it the loss of Senator McCarthy's committee chairmanship. He has been strangely quiet ever since. Meantime, little is heard of the Reds-in-government controversy.

• • •

President Eisenhower is responsible in large degree for the tranquility here. He is responsible in two ways. First, there is his own strong distaste for political feuding; he just doesn't like to fuss. Second, there is his continuing popularity with rank-and-file Americans, which acts as a brake on those who would like to go after him.

Of course, the outward calm here does not mean that the politicians are altogether complacent and happy. In both parties there are irritations and vexations. However, these usually are discussed only on an off-the-record basis.

Although virtually all Republicans in Congress hope that the President will run for a second term, there is a substantial bloc in the G.O.P. that grumbles about his political philosophy. They feel, for example, that he has accepted entirely too many of the New Deal and Fair Deal reforms. They feel, too, that he has adhered altogether too closely to the Truman foreign policy.

Some of these same Republicans complain that the President has gone too far with his no-fussin' rule. They think he has put out partisan fires that he ought to have allowed to flare high; that is, if he was really interested in the welfare of the Grand Old Party.

There was the time, for instance, when the Yalta papers were made public. Some Republicans were getting ready to use the papers once again to assail the blunders of President Franklin D. Roosevelt at his 1945 meeting with Stalin and Churchill. At this point General Eisenhower yanked the rug right out from under them.

The Chief Executive said in effect at a news conference that the Yalta papers should not be used

## Washington mood

as political ammunition in the 1956 campaign. His admonition has had its effect. Yalta as an issue seems to have died.

If this and other presidential acts have brought a sense of frustration to conservative Republicans, it is as nothing compared to the frustration felt by the so-called liberal Democrats. They look at the political picture here, and it just doesn't make any sense to them.

How, these Democrats ask, can their party hope to capture the White House and Congress next year by boasting of how well it has supported President Eisenhower—by boasting that it has saved him from his own divided G.O.P.? Where, they ask, are the issues on which their party is to wage its campaign in '56?

• • •

Paul M. Butler, chairman of the Democratic National Committee, complains that one aspect of the situation is downright un-American; or, at least, out of line with American political tradition. He has in mind the howl that goes up from the Republican camp whenever he pitches into President Eisenhower.

Listen to Chairman Butler:

"It is true that criticism of the Chief of State is not encouraged in some countries, but in the United States it is the constitutional duty of the minority party to scrutinize, to challenge, to debate the policies of the majority. . . . The effort to put the President on a pedestal, ruling out realistic debate whenever it touches the Chief Executive, is detrimental to effective government today and every day. None of our past Presidents has been sacrosanct. Republicans who seek to silence Democratic critics of Mr. Eisenhower today were following a quite different rule when Mr. Truman and Mr. Roosevelt were in office. . . .

"A nation without an articulate opposition is no longer a democracy. If we were to retreat to the position deemed proper by Chairman (Leonard) Hall and others who want to hear no word of Mr. Eisenhower's mistakes, we might as well close up shop at Democratic headquarters and discard the two-party system. . . ."

The fact remains, however, that the Democrats in Congress continue to be remarkably shy about attacking General Eisenhower. When one does (as Sen. Estes Kefauver of Tennessee did recently) it is a page-one story. In the Roosevelt and Truman years an attack on the President was so commonplace as to be hardly news at all.

All this could change, of course, and change quickly, but until it does the United States finds itself in a political situation that is without parallel in our modern history.

There is no doubt that the Democratic Party is the dominant party in our country today. The Gallup Poll says it is, and so do the elections that have been held since 1952. Yet the Democrats, most of them hereabouts at any rate, have little hope of capturing the White House next year if General Eisenhower is again a candidate.

Ordinarily the record of recent Democratic victories would frighten the Republicans. Consider this concrete evidence of the Democratic trend: In special elections in 1953, the Democrats won seven out of eight contests for seats in the House of Representatives. In the 1954 congressional elections, the Democrats got the highest percentage (52.6) of the popular vote in any off-year election since 1934. As a result President Eisenhower lost both Houses of Congress, the first President ever to do so only two years after being elected.

In 1953 and 1954, the Democrats won nine governorships and lost none. They also captured 500 seats in state legislatures, and lost only five.

The Republicans, naturally, don't like all this. For one thing, it is embarrassing, coming so soon after the '52 landslide. Nevertheless, they say that they're not worried. Why?

"We've got Ike," is their reply, and they give it in a tone that suggests that there is nothing more to say.

Confident as they are, however, the Republicans would feel better if they could be certain of their hero's intentions to run again.

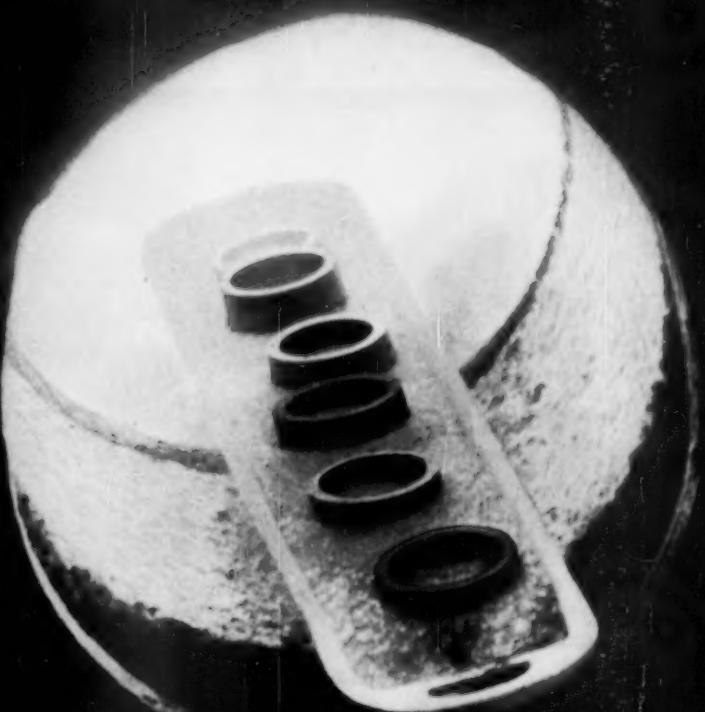
They watch every sign at the White House, look for meaning in every presidential remark. They were cheered when General Eisenhower told reporters one day that, while he did not like politics, he found the Presidency "a fascinating business, a wonderful experience." However, a week later, while visiting his Gettysburg farm, he looked southward toward the White House and said ruefully: "Well, it's time, I guess, to go back to the salt mines."

Getting back to the question of issues, the Republicans are counting on using one in '56 that ought to give them much satisfaction. It is one that the Democrats used for the better part of 20 years with great success, the while they excoriated the G.O.P. for the "Hoover panic." The issue: prosperity.

The Democrats admittedly have been having a hard time forging issues. Their policy has been "support the President when he's right, oppose him when he's wrong." In practice, they have supported him much more than they have opposed him.

Some of the Democrats say that they have demonstrated to the American voters that the country fares better with a responsible Democratic Congress, no matter who is in the White House. Others in the party think that this is a poor excuse for a vote-getting issue. How, they ask, is that argument going to help the party knock off President Eisenhower if he runs again?

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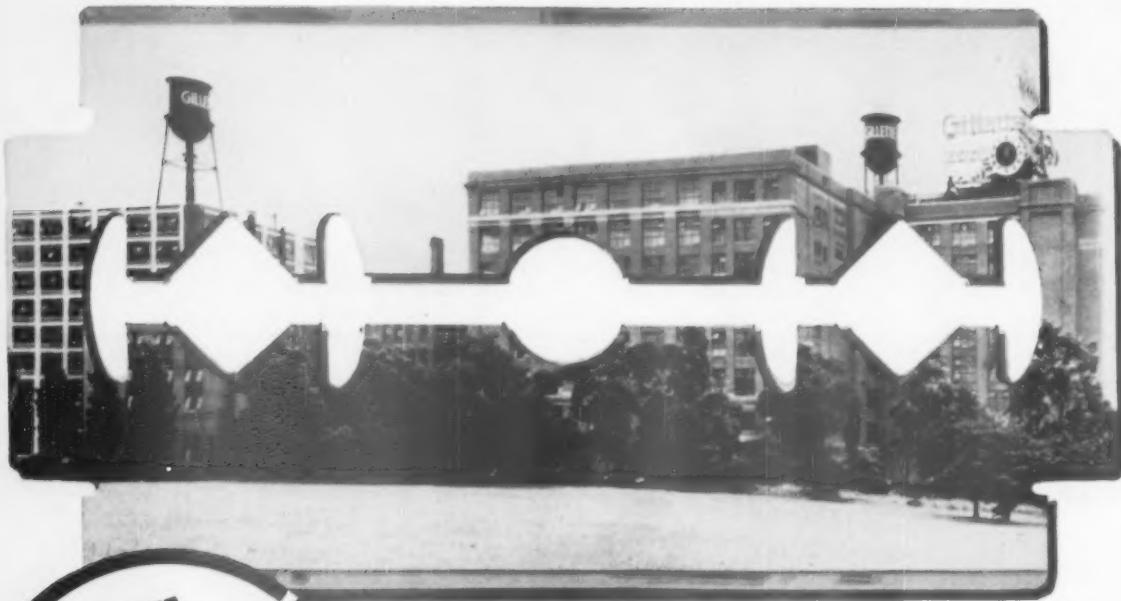
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THIS IS THE YEAR of the big push in the government's antitrust campaign.

The chief trust buster under the Republicans is Assistant Attorney General Stanley N. Barnes, head of the Justice Department's Anti-Trust Division.

By the middle of next year, Mr. Barnes expects that his division will have filed 50 more suits against American business concerns, or approximately 60 per cent more antitrust cases than were brought annually in the last two years of the Truman Administration.

In this interview, Mr. Barnes explains the antitrust policy of the Eisenhower Administration:

**What is that policy?**

The Republican Party platform pledge was this:

"We will follow the principles of equal enforcement of the antimo-

nopoly and unfair competition statutes and simplify their administration to assist the businessman who, in good faith, seeks to remain in compliance. At the same time we shall relentlessly protect our free enterprise system against monopolistic and unfair trade practices."

American business, more than any other group, has a vital stake in antitrust enforcement because it is a unique American method of assuring that our competitive economy is maintained. That competitive economy, and the business freedom on which it is based, are just as important as our political freedoms or social freedoms.

**How does the Justice Department decide whether a suit should be brought?**

No suit has been brought during this Administration where we did not believe that we had adequate

facts on which to base a charge of violation of the antitrust laws.

In fact, our emphasis has been on so-called hard core violations rather than upon any attempt to extend the laws by judicial interpretation.

At the same time, one must recognize that antitrust law and antitrust prosecution cannot stand still. You must bend your enforcement activities to meet the changes that come in violations. In other words, it can't be a static procedure.

For that reason, we have filed certain cases that might be regarded as test cases, but our principal emphasis has not been to complete some theoretical excursion, but to prosecute out and out violators.

**How do you decide whether proceedings are to be criminal or civil?**

In general there are certain types of offenses that we feel must be met by criminal prosecution: one, the per se violations, such as price fixing, or allocation of territory where there is no question but that the actions constitute a violation.

Second, other violations of the Sherman Act, where we have in our files proof of a specific intent to restrain trade or to monopolize.

Third, a more difficult area which involves use of what we usually call predatory practices such as violence and boycotts.

Fourth, sometimes we feel that we are required to file criminal cases where the defendant has previously been involved in an antitrust violation or where he is so closely allied

# 50 MORE *continued*

FRED J. MAROON



*Judge Barnes heads Justice Department's Anti-Trust Division, was presiding judge, Superior Court of Los Angeles County*

to convictions within an industry that he must, of necessity, know that his continued operations would violate the law.

I think I should point out, however, that there is no absolute line where we say that this must be a civil case, this must be a criminal case, or that both a criminal and a civil case cannot be based upon the same facts. We can accomplish one thing by a criminal case and an entirely different result by a civil case because of the difference in the remedies in the two cases.

**To what extent do the Justice Department and the Federal Trade Commission duplicate or overlap in activities? How do you decide who is to do what?**

We do not overlap, as a practical matter, in the actual prosecution of antitrust laws.

I say that in a somewhat qualified manner because it was congressional intent to give both the Federal Trade Commission and the Department of Justice concurrent jurisdiction in certain areas of antitrust law enforcement.

On the other hand, the two agencies are entirely different in their concept. The Department of Justice is a prosecuting agency; the Federal

Trade Commission is an investigating and regulatory agency.

The Department can take certain steps which the Commission cannot take and vice versa.

For that reason, certain areas lend themselves best to prosecution by one or the other.

To avoid duplication of effort and to conserve our limited resources we try not to get into the same matter at the same time without good reason. Where there is concurrent jurisdiction, we do not start an investigation without first checking to see

whether the Federal Trade Commission is in that same matter.

Similarly, the Federal Trade Commission does not start an investigation unless we tell them that we have not already started one.

That means that the agency which starts the matter usually is the one to finish it. However, because of the different purposes, and the different machinery available to the two agencies, a particular investigation which one has started may lend itself best to continuation by the other. In that event, Mr. Howrey [Federal Trade Commission Chairman Edward F. Howrey] and I decide which would be the most efficient method of operation.

So far as I know, in the past two and one quarter years, no business concern has had both the Federal Trade Commission and the Department of Justice in its books at the same time looking into the same matter. We aim to keep it that way.

**Does this raise the possibility of a sort of double jeopardy? That is, if the Federal Trade Commission investigates, decides it is satisfied and drops the matter, would that satisfy the Department of Justice?**

It depends upon whether our examination is of the same facts or whether the period under examination is different. We would certainly look carefully before we started any proceedings on a subject which the Federal Trade Commission had investigated. We would want to know why the Commission decided as it did, if there was no prosecution.

On the other hand, in its statement in the Federal Trade Commission versus Cement Institute case, which is frequently given as an example where both agencies attempted to solve the same problem, the Supreme Court said:

"A strong congressional purpose, not only to continue enforcement of the Sherman Act by the Department

## ANTITRUST—CIVIL OR CRIMINAL?

**How does the government decide whether an antitrust proceeding should be in the form of a civil or a criminal case?**

"There is no absolute line in which we can say that this must be a civil case, this is a criminal case, or that there cannot be both a criminal and a civil case based on the same facts."

of Justice, but also to supplement that enforcement through the administrative process of the new Trade Commission was noted. The effort was to provide the government with cumulative remedies against activity detrimental to competition."

As a practical matter, however, we would try to avoid duplication of effort.

**Attorney General Herbert Brownell Jr. has stated that enforcement of the nation's antitrust laws has been more strict under the Republicans than under the Democrats. Do you have a record that will bring this out?**

If cases brought and closed are any guide, this Administration has certainly been vigilant in enforcing the antitrust laws. In the last full fiscal year of the Democratic Administration, 30 cases were brought and a like number were brought in the preceding year.

During the full fiscal year 1954—the first full year that I was here—we filed 32 cases. To date, in fiscal 1955, we have filed 38 cases. For the balance of this fiscal year, we probably will file a total of 45 or 50 cases. We look forward to filing approximately the same number of cases in fiscal '56.

That, of course, is only part of it. I become concerned, as a judge familiar with court procedures, with the number of judgments on the books. No serious effort had ever been made to determine whether those judgments were actually being enforced.

From 1890 to 1952 inclusive, 12 contempt cases were filed. During the years 1953, '54 and '55 to date, we have filed eight contempt cases. These seek to require the defendants to obey judgments heretofore rendered against them.

We have cleaned out an average of about 25 per cent more cases each year than the previous Administration was doing. We have reduced our pending cases even though we have filed more cases, by clearing out more.

**Do you feel that number of cases is an accurate comparison of the work load and a good yardstick for measure?**

You can't rely entirely on the number of cases filed. For example, in some of the years when the Department filed a large number of cases—far more than I have filed—a civil suit and a criminal case were filed for the same offense. It would be easy to run up numbers if we wanted to. I'm not trying to make a statistical record. Were that my aim it would be easy to file cases on

small price-fixing charges against small merchants.

We seek, not merely to build a paper record, but instead to strike down real clogs on competition

roadblocks to entry into business. We have also tried honestly and fairly to make things easier for the businessman who, in good faith, seeks to obey the laws.

## WHEN IS MERGER PERMISSIBLE?

**"The first of many questions that must be asked is—What would be the reasonable, probable effect of the proposed merger?**

"You don't have to find whether a merger will create a monopoly, but whether there is a tendency to create a monopoly . . . Not only must you find that there is a lessening, but you have to go into the quantitative analysis as to whether it is a substantial lessening of competition."

**The government box score on big mergers: Vetoed in steel—Bethlehem-Youngstown; approved in automobiles—Packard-Studebaker, Nash-Hudson, Kaiser-Willys.**

wherever found and by whomever imposed.

**Some businessmen have expressed the view that this Administration is harassing private enterprise as much, or more, than was done in the days of the New Deal and the Fair Deal. Do you feel that this Administration is in reality making any sort of a general attack on American businessmen?**

None whatsoever. As a matter of fact, the record shows that I have ordered dismissal of certain cases filed by the previous Administration where I found no factual foundation in our files for prosecution.

One of the biggest cases in the Division, the so-called Swift case in Chicago, was dismissed after a careful analysis.

I am only trying to enforce the law without favors, without any attempt to exempt anybody simply because of his position, or his political faith.

**Could you spell out just how your policies and procedures differ from those of the preceding Administrations?**

Yes. Our cases have not been aimed to extend the borders of antitrust simply for the purpose of trying to enlarge antitrust laws and jurisdiction.

We have concentrated on real restraints of trade, on substantial elimination of competitors and on

This we have done by extending our present merger clearance efforts. We have enlarged our so-called railroad release procedures where opinions can be given relative to proposed plans in certain areas. We have instituted a process of pre-filing negotiations which has eliminated in some 20 cases long, expensive trials.

We have cooperated with lawyers in speedily bringing matters on for trial. For example, just the other day, one of the most important cases in our Anti-Trust Division, a case against McKesson-Robbins, was tried in New York. Through sincere, honest and clear-thinking efforts on the part of counsel, both for government and for the defense, a complex case was reduced to one day of trial on a stipulated statement of facts.

Only three cases out of eight tried last year took more than a week to try. One of those, the longest incidentally, was a contempt matter.

**Some people have contended that this is a businessmen's Administration, favorable toward business interests. Under such circumstances, do you think the Justice Department might tend to lean over backward in conducting its antitrust campaign?**

I am convinced that we have not persecuted business in any way. I don't think that anyone can complain of being persecuted if the laws

*(Continued on page 80)*

**The road is open to . . .**

# **GROW BIG**

**That's what O. A. Sutton did, and turned \$3,000 into a \$30,000,000 business in a decade. Here's how**

**By RUFUS JARMAN**

IN WICHITA, KAN., where summer temperatures often soar above 100 degrees and hot winds sweep across the prairies, lives a man who has probably done as much as anyone in recent times to create artificial wind to offset excessive heat. He is a 48-year-old, Louisiana-born industrialist named O. A. Sutton. During this first postwar decade, he has revolutionized the field of comfort cooling, as far as electric fans are concerned. Now he seems about ready to try the same thing with air conditioning.

Perhaps the most significant thing about Mr. Sutton, however, is that he affords excellent proof that business frontiers still remain to be conquered. Fourteen years ago, when he started as a subcontract manufacturer of aircraft assemblies, Mr. Sutton had three employees and \$3,000 that he could call his own. Now he has 2,000 employees and is worth probably \$30,000,000. He achieved these things in spite of governmental regulations, the excess profits tax, and competition. Mr. Sutton is a sort of postwar Horatio Alger hero—an example that the American dream in business can still be made a real-

ity, even in these times when the millionaire is known as the vanishing American.

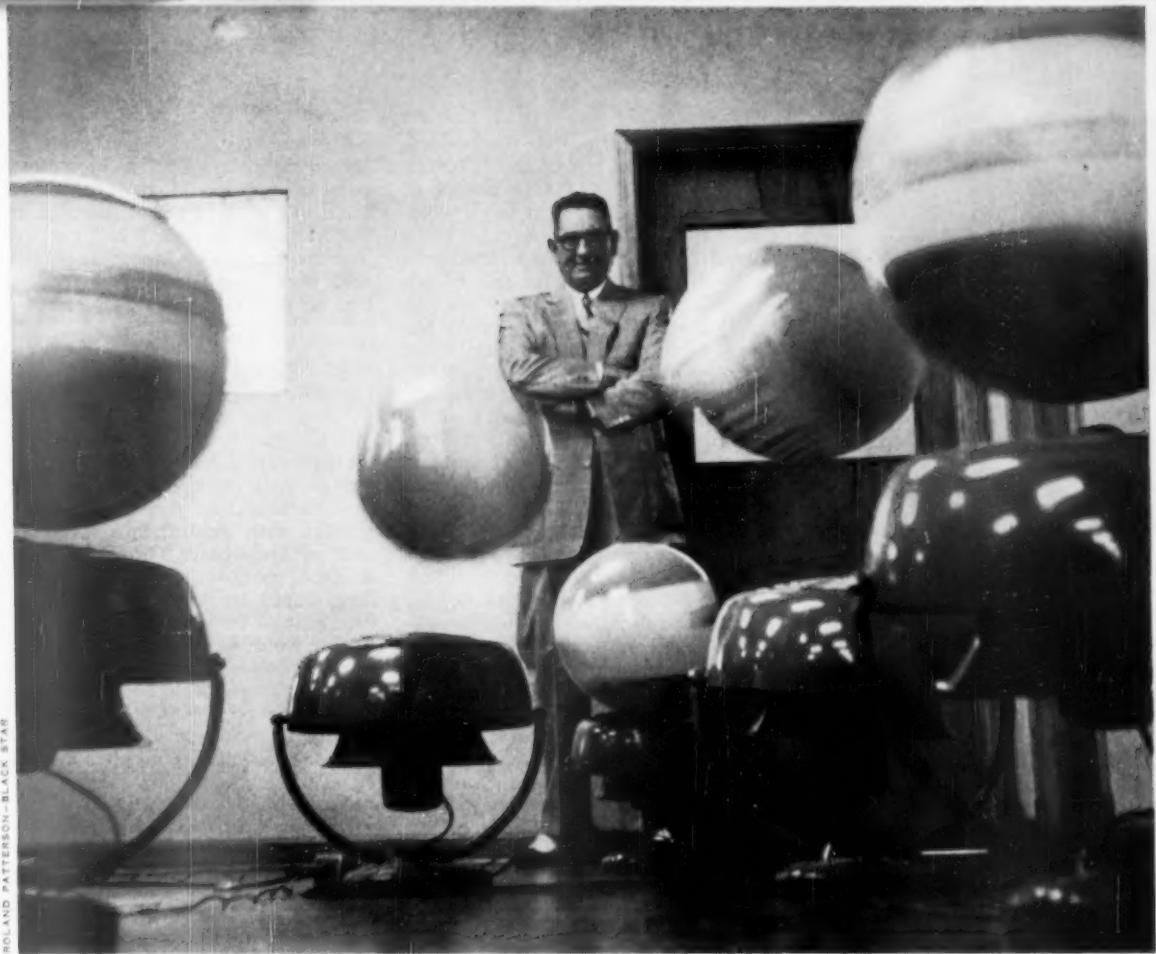
In 1945 Mr. Sutton switched his war baby welding plant to civilian production of his "Vornado" electric fan, which embodied the first important changes in engineering principles that the fan industry had seen in 35 years. His fan became such a success that his firm now makes nearly a third of all fans retailing at \$25 or more in the United States. The big fan manufacturers let him go his way for three years. Then they took after him. Now many of them are turning out fans patterned somewhat along the same lines as his product.

Two years ago he began producing window-type air conditioners—the first equipped with high velocity fans that make the units' breeze apparent 20 feet away. Until then, window units had simply spilled air into a room. Engineers thought consumers would consider anything stronger a draft. The Sutton idea proved popular. Now high velocity has become a trend in window units.

Mr. Sutton is now building window units sold under the trademarks of three other companies as well as his own Vornado brand. This year, its third in that field, the O. A. Sutton Corporation will build about 20 per cent of all window units produced in the United States—about 200,000.

This spring Mr. Sutton began producing an air-cooled, central system type air conditioner, intended to serve five-room, one-story, two-bedroom residences. There are more than 10,000,000 such homes in the United States. ("Air cooled" means that, like window units, this central cooler will need no water connections. It comes with prefabricated fiber glass duct-work, grills, distributors and joints that will allow a home owner to install it himself.)

Its cost, including installation by a builder, will be as low as \$600 in new houses, \$780 in existing homes. Last year the entire air-conditioning industry—20-odd firms—produced fewer than 45,000 central units. Mr. Sutton expects to build and sell 50,000 central systems for homes this year, or about two thirds of the anticipated national production of central systems for homes. His firm had



ROLAND PATTERSON-BLACK STAR

*Showmanship has been one of the most potent weapons in the merchandising of Sutton-made products*

taken orders for more than 7,000 of these this spring when the units had been in production a bare three weeks. The firm is making both two- and three-ton units, and may produce a five-ton job next year.

Recently, Mr. Sutton was discussing the disadvantages compared with the advantages of being a small manufacturer.

"The tax situation is discouraging and the big business boys hover over him like giants," he said. "But I believe the fundamental block that keeps the small manufacturer from achieving outstanding success is that it takes more work than most men are willing to put into it. The average small industrialist works himself into a state of semisecurity. Then he goes to the golf course."

"The big advantage—the great strength—of the small manufacturer," Mr. Sutton went on, "is his maneuverability. He doesn't have the money or the factory space or the equipment of the big boys, so he makes do with what he does have. This brings out ingenuity. Our plant can engineer a product in six months

that would take a big manufacturer a year and a half. From a competitive standpoint, a big corporation does not hold a candle to the little outfit with know-how.

"Last year the air-conditioning industry was left with about 700,000 unsold window units on its hands because of the cool summer in the East. Our firm was left with only 451 unsold units at the factory. That is another example of a small manufacturer's ability to move fast. He is not hamstrung by protocol and the many meetings that attend any important move a big manufacturer makes. When it became apparent last July that room coolers' were overproduced, we met at once with our distributors, and cut prices to what they said was necessary to move them. Our firm shared with our distributors a \$500,000 loss for July. But since our units almost sold out, the distributors made some money for the season, and our firm made \$1,500,000 profit on them after taxes.

"Our final clean-out was when the heat hit the Midwest in midsummer. Room units were in demand here, but some of our eastern distributors still had plenty. We had their stocks

shipped here, cut prices and sold them all. Some big manufacturers could not move that fast because of what they call policy—never shipping in less than carload lots and things like that. But with a small manufacturer like me, policy is what I may decide upon one minute from now."

Officials of the Sutton concern are young, aggressive men who say the boss is a success because he can see the whole of any business problem, analyze it with cold logic, then act with the decision of a steel trap. Mr. Sutton says it takes more than that for a small operator to make a big success these days in manufacturing, which he calls "the toughest of all businesses—especially in appliances, which is the toughest of all types of manufacturing—and particularly in home cooling, which is the toughest of all appliance manufacturing."

"A man needs an extra drive, either inherent or acquired early in life, for outstanding success in this hard field," he says. "In my case, I believe I have been impelled by an overwhelming desire for security."

Ottis Alton Sutton was born in Dubberly, La., Oct. 27, 1906, of Eng-



## GROW BIG

*continued*

lish-Scotch ancestry. His father died when he was eight years old, leaving a widow and four small children in poor circumstances.

Ottis worked as a shoe shine boy, school and church janitor, and sold publications, among them *Grit*, *Capper's Weekly* and *The Saturday Evening Post*.

"I always had big business ideas," he recalls. "There was an old shed back of the house. I put a goods box in it and built some pigeon holes in the box. This was my roll-top desk. I would stuff into the pigeon holes my correspondence from *Grit* and the others. I was a big businessman."

After he finished high school at Bienville, La., he worked as a powder monkey blowing stumps to clear a highway right of way. He attended business school at Shreveport, and opened an ice cream parlor. Disappointingly few customers showed up, so he secretly scattered mashed ice cream cartons on the nearby streets to give the impression his place was doing a rushing business. This bait brought in good crowds, and he saved \$5,000 in two years. He ran a movie house in Weskon, Texas, until talking pictures arrived and he could not procure sound equipment. He sold out and became a bookkeeper for the Air Reduction Sales Company's office at Kilgore, Texas. Air Reduction sold oxygen and welding equipment to the oil industry. Mr. Sutton had been promoted to assistant sales manager in Oklahoma City when the war began in Europe.

He had always wanted his own business and decided now was the time. He had become a welding ex-

pert demonstrating Air Reduction's products. So he put up the \$1,000 he had, along with \$4,000 he borrowed, and opened a school to teach welding. He taught 100 men a three month course at \$150 each, and made a profit of \$3,000. With this he advanced upon Wichita where the aircraft industry was tooling up for big time production. Mr. Sutton hired three welders, obtained a partner, rented a building for \$150 a month, and bought \$18,000 worth of welding equipment from Air Reduction on credit. Then he got his first contract—for \$20,000 worth of welded braces for Beech Aircraft Corporation.

"None of us knew much about welding airplane assemblies at first," he recalls. "The big manufacturers and we subcontractors all learned together. Our firm became welding specialists. At one time 11 major aircraft plants, including two of the three making B-29's, were entirely dependent on us for certain parts. At peak war production our firm employed 500 workers. We grossed up to \$2,500,000 a year, but our tax set-up was such that we could keep only 1.17 cents out of every dollar profit."

In 1943 Mr. Sutton employed Ralph Odor, an inventor and research engineer from Oklahoma A & M, to experiment with a new process for making engine cowlings. He got manufacturing rights to Mr. Odor's patents relating to airplanes, but the patent that interested him most was an electric fan for cooling rooms, based on principles of aerodynamics. Mr. Sutton thought that might be a good item for his plant to manufacture for civilian consumption after war production ended.

Mr. Odor's model had deep-pitched blades, surrounded by cowling. A funnel-shaped flange protruded from its rear like the tail of a strange bird. This channeled air into the blades and, according to reports by three engineering firms employed to study it, helped make this fan about twice as efficient at pushing air as most fans. Almost all fans then were what Mr. Sutton calls "the egg-beater type"—a motor with a shaft and four shallow-pitched blades enclosed in a "bird cage." The Odor fan was not intended to blow directly on people. It produced a twisting, screw-like column of moving air that set up a steady pattern in a room, like a gentle circulatory breeze.

The big trouble, as far as Mr. Sutton was concerned, was that the inventor some years before had assigned manufacturing rights to a firm in Memphis, Tenn. That firm had never tried to develop the product. So Mr. Sutton sauntered in cas-

ually one day, mentioned that he owned rights to all Mr. Odor's other patents and would like to round them out with rights on the fan, if the Memphis company had no further use for it. The Memphis people sold their manufacturing rights to him for one dollar.

Mr. Sutton next paid a firm of business consultants about \$20,000 to study the fan situation and tell him whether it was feasible for him to manufacture them. The experts said definitely not! They pointed out that he would be entering a tough market with an unknown product and no know-how. They estimated that not more than 272,000 quality fans would be sold in the United States in a normal year, and Mr. Sutton would be lucky to get a tenth of this business, or 27,200 fans at a manufacturer's price of \$460,000. He decided to go ahead with his fan, despite this gloomy survey and the fact that his factory consisted largely of welding equipment. He had no steel, tools nor dies for making fan parts, nor did he have a drawing, a sample, a distributor or a salesman.

By this time, Mr. Sutton had three partners who owned half of the business. He owned the other half. The partners agreed with the firm of business consultants that the fan idea was silly.

They preferred to take their war profits and close the plant, which had a net worth of \$100,000, plus \$250,000 worth of government certificates of necessity, whereby management could accelerate depreciation and charge it off to taxes. Mr. Sutton bought out his partners with \$60,000 of the \$100,000 he had saved and went ahead with preparations to produce fans.

"I was convinced," he says, "that we not only had a sound product, but that fans generally had never been sold properly. Until we came along, they had been retailed mainly in hardware stores. The stores ordered fans from thick, dull-looking jobber's catalogs. The fans were set on a counter, and a customer either bought one or didn't."

"I wanted our fans handled by big appliance distributors who would merchandise and romanticize them like refrigerators or electric ranges or television sets. My one sales representative and I visited the principal cities and talked with merchants, bankers and businessmen to learn whom they regarded as the smartest appliance distributor in town. Then we tried to get that distributor to handle our fan. Some were insulted at the idea of handling a dull thing like a fan, but they were hungry for

any kind of goods right after the war, and usually gave us an order."

Mr. Sutton next began merchandising and glamorizing fans on his own. He had built six plexiglass rooms, 30 feet long by 15 feet wide and nine feet high. They are still used for demonstrations at dealer meetings, electrical shows or department store demonstrations. Strips of colored plastic are suspended from the ceiling nearly to the floor, and one or more Vornado fans are turned on inside. The twisting and twirling of the colored plastic produces a simple, dramatic demonstration of what Mr. Sutton claims his fans will do in producing a steady, circulating air current.

In July, 1946, his first year of production, Mr. Sutton displayed his new fan at the Chicago Furniture Mart, one of the world's largest home shows. The only display space he could get was on the seventeenth floor, far removed from the choice fifth floor location. He was afraid that most of the visitors would miss seeing his fan. The weather was terribly hot, and suddenly he had a good idea.

He telephoned his local distributor to send over to the Mart several truck loads of his fans. Then he called at every exhibitor's booth and asked each sweating display staff if they would like to borrow a fan. Every staff accepted immediately, including his competitors'. He thus got one of his Vornado fans into

every booth in the show. Mr. Sutton has continued to lend fans ever since—although his competitors no longer accept—and a good many other exhibitors have bought fans from him to cool their booths.

Several years ago a distributor discovered by accident that, when a Sutton fan was turned to blow straight up, a balloon placed in its air stream would remain revolving in one spot indefinitely. This was another simple demonstration of the circulatory air currents that he had been saying his fan produced.

His company passed millions of balloons out to distributors and dealers. Dealers set up displays in their show windows, consisting of Vornado fans twirling brightly colored balloons in space, like circus seals spinning balls on their noses. These novelty windows drew crowds and caused comment about his product.

All these things helped sell 60,000 Vornado fans for \$1,800,000 his first year in business. He might have doubled that if he had had materials. His business has increased each year since then nearly two thirds over the year previous, except for one year. By 1950 his gross was up to \$5,000,000. It was \$23,552,217 in 1953. Last year it was \$38,118,762. Sales in the first six months of this year dropped off because of temporary elimination of defense business and unseasonably cool weather, but Mr. Sutton predicts his gross will be \$65,000,000 next year and \$75,000,000 in 1957. He has been forecasting his volume that way for

the past four years, so far, has hit within four to five per cent each time.

The firm lost money in 1949 and the reason was an unfortunate idea Mr. Sutton had for making a heater-fan. This was an electric heater with a fan built into its back to distribute heat evenly about a room. Distributors ordered 60,000 that fall at \$18 per unit. The factory had delivered 30,000 units, had 10,000 in production and had bought the materials for the other 20,000 when the first cold snap hit, and the heater-fans went sour. The fans were too strong.

They distributed heat all right, but they blew it away from the heater so rapidly that a person who held his hand near the heater felt no increased heat. Customers concluded that the heater-fans were no good, and returned them by the thousands. Dealers and distributors screamed frightfully.

Mr. Sutton decided that he would take back the units, keep his distributors happy and chance going broke. The factory took back 22,000 units from dealers, and did not ship the other 30,000 that had been ordered. Thus, on Jan. 1, when his fiscal year was barely a month old, Mr. Sutton's firm was nearly \$750,000 in the red.

He took the unit apart and studied it sadly. He found that he had a good fan and a good heater, taken separately. It was the combination that was unfortunate. The fans were removed from the heaters, given a new finish and sold separately.

*(Continued on page 57)*

*Sutton executives are young men who say their boss succeeds because he sees the whole of any problem*



# PROXY WARFARE may provoke tighter government rules

**Contests for stockholders'  
votes in company control battles  
reflect the tremendous growth  
in number of individual  
investors**

By TRIS COFFIN

A SHOWDOWN is building in Washington over the question, "How far should the government move in as part policeman, part censor, part umpire in proxy contests?"

The stormy fights in the past two years have led a Senate committee and the Securities and Exchange Commission to study the need for reform and federal intervention.

Bruised contestants have told the committee that the contests were frequently rougher than a rough-and-ready political campaign.

The Senate inquiry guided by Sen. Herbert H. Lehman, for two decades a partner of the banking house of Lehman Brothers, has piled up a long list of suggestions for the SEC and Congress. They include:

#### **1. A code of ethics for proxy contests.**

One proposal would give the SEC power to stop a proxy solicitation by any group which violates ethical standards. Stop orders are authorized now for defective registration statements.

#### **2. A limit on the spending in proxy contests.**

A really big league fight may cost more than \$1,000,000 for each side in out-of-pocket expenses. Robert R. Young spent \$1,308,733.71 to win the New York Central. (It breaks down to \$401,045.08, legal fees; \$319,469.07, advertising; \$258,872.76, clerical help, proxy solicitors, consultants' fees; \$198,669.88, stationery, mailing, telephone; \$70,464.90 telegraph, travel, out of town expenses of solicitors, and \$60,212.02 rental of equipment.) In Montgomery Ward, the combined cost for both contestants was at least \$1,200,000. Courts have upheld the right of management and successful contestants to charge their campaign costs to

the company. The SEC requires challengers to state if they will ask for reimbursement if they win. But there is no limit on how much either side may spend.

Some would limit the expense of the proxy contest to a flat fee to cover, for example, half a dozen mailings of material to stockholders. Others would hold the costs to a percentage of the company's valuation. A proposal that keeps coming up is that the company pay the freight for both winners and losers, providing the defeated side polls as much as 25 per cent of the shares.

#### **3. Full disclosure of the identity of those engaged in proxy fights.**

Montgomery Ward charged that it did not know who the members of Mr. Louis Wolfson's group were who bought more than \$50,000,000 worth of Ward stock. In the New York Central contest, according to the Senate study, 40 per cent of the stock ownership was undisclosed. More recently, an old established metal products company complained to the SEC that it was being raided by mystery forces, and could not find out who was behind the attack. On the other hand, independent shareholder groups complain they are forced to go to court to get lists of stockholders from management, on occasion. Sen. Homer Capehart, ranking Republican on the Banking and Currency Committee, believes that all stock ownership should be revealed. He will push such a bill.

#### **4. Segregation of trust and banking functions, so commercial bankers are unable to vote proxies of trusts.**

Another proposal would prevent brokers from voting stock held for customers.

#### **5. Easier nomination of independent directors.**

A stockholder or group holding a minimum of shares could nominate directors. Management would circulate these nominations among stockholders. (Today, by SEC rule, management must circulate stockholder proposals for action but not nominees.) To prevent irresponsible nominations and proxy fights, the nominees would put up a deposit, to be forfeited if the nominee failed to get a reasonable share of the votes.

#### **6. Inclusion of unlisted companies now not subject to SEC proxy rules.**

There are about 1,300 such companies.

## 7. A study of the role of welfare and pension funds and labor unions in proxy contests.

Even five years ago, the proxy fight was little more than a paragraph or two in an economics text. In 1952, there were only 11 proxy contests. This doubled the next year, then tripled. This year the number is likely to quadruple. Contests have also changed in character from modest, well behaved encounters into vivid public struggles that get almost as much attention as the World Series. Shareholders are besieged by personal letters, long-distance telephone calls, telegrams, and visits to their homes. (In one recent contest, stockholders with as few as ten shares were called on by such solicitors as company officials, retired bankers of the community, and fraternity brothers.) Pamphlets, press conferences, cocktail parties, radio and TV appearances enter into the campaign. Banks and suppliers friendly to one side or the other are drawn in, often reluctantly, as participants. Labor unions are showing up on the teams. Such public figures as Jim Farley and Joe DiMaggio take sides, and public relations counsels sit close to the thrones.

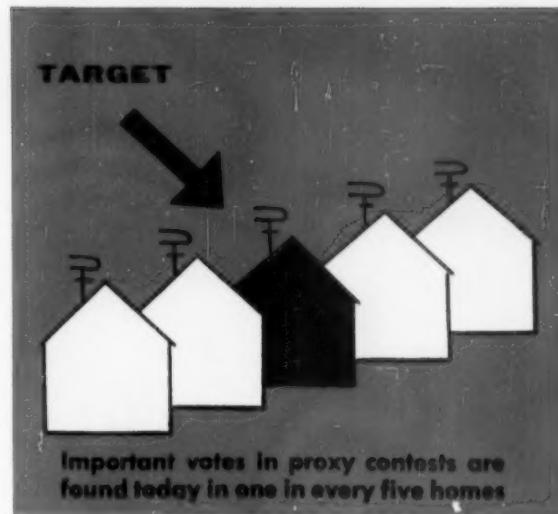
This kind of proxy fight is the result of many factors.

One of them is the amazing growth in stock ownership. Senate investigators estimate that 8,000,000 Americans now own stock. This means about 20 per cent of all families. When the giant struggles for control of American corporations began in the 1800's, only a few men or families owned industry, and they traded or bargained among themselves. The arena was shut off from public view.

Shortly after the Civil War, unknowns rose to battle the titans. Their weapons were war-made fortunes and a shrewd knowledge of trading. In one famous contest, Jay Gould and Jim Fisk, an ex-circus barker, snatched the Erie Railroad from Cornelius Vanderbilt. Gould went on to win the Union Pacific, Western Union and New York elevated lines.

Time, depression, reforms, and management's own efforts to broaden the base of shareholdings dissipated the huge concentrations of stock. Today, as an example, no one person owns more than one per cent of U. S. Steel common stock. A. T. & T. has 1,300,000 shareholders. The largest corporate stockholder in Montgomery Ward owns less than one and one half per cent of its stock.

A Brookings Institution study of 45 stocks showed that, in two decades 1930-50, ownership expanded 71 per cent. American Can's common stock owners in-



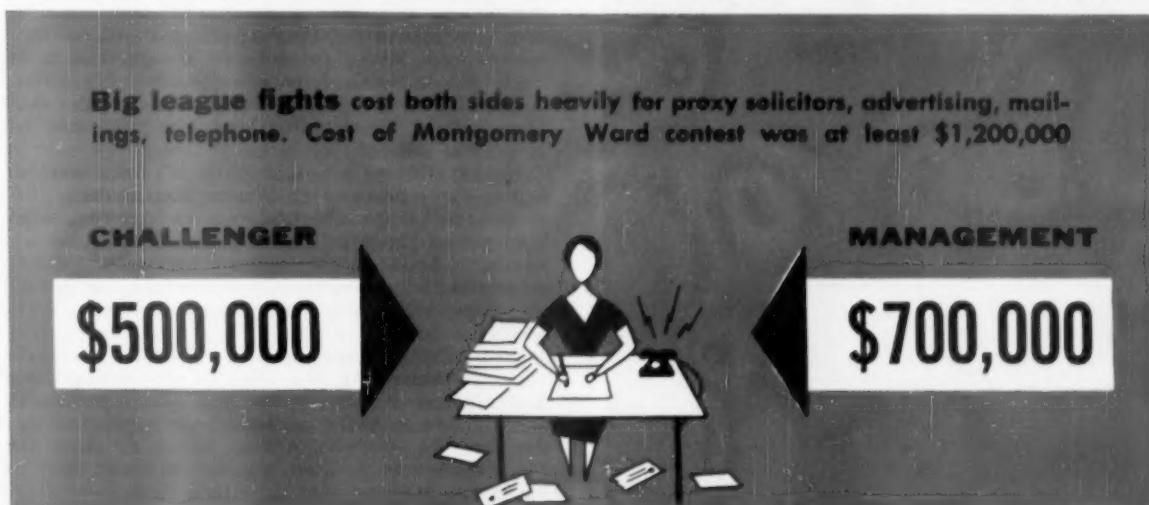
Important votes in proxy contests are found today in one in every five homes

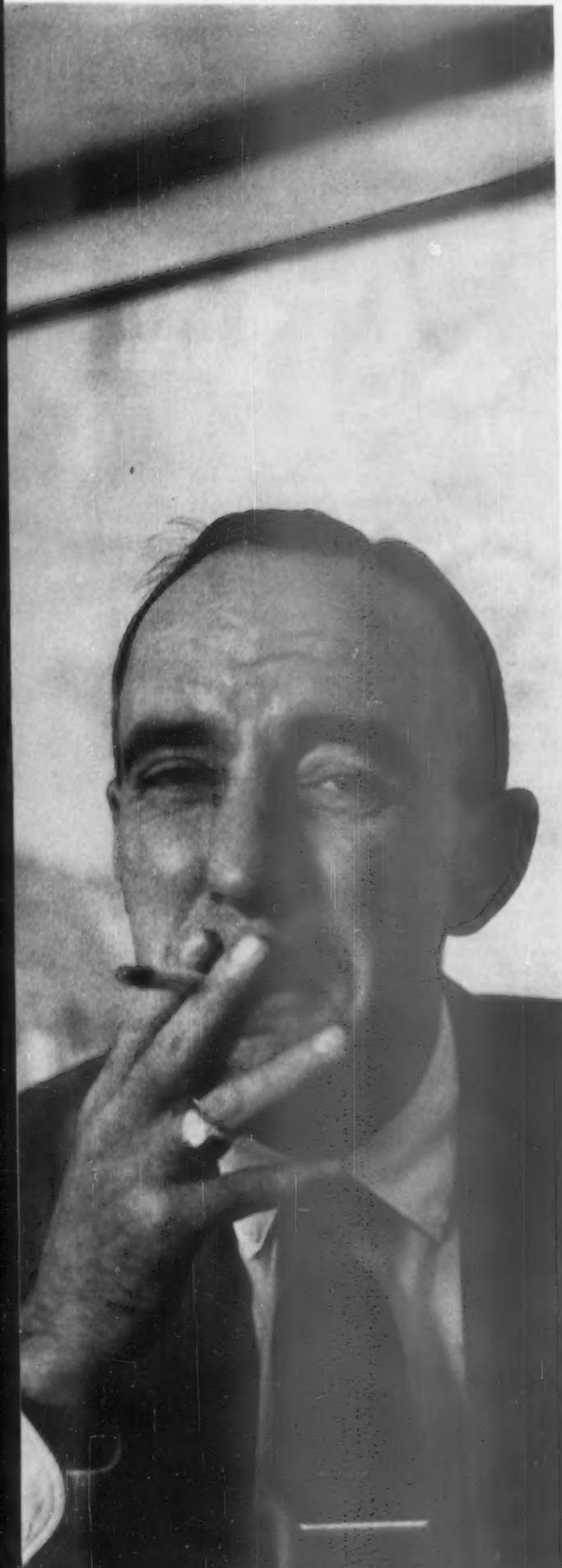
creased 52 per cent; A. T. & T., 73.6 per cent; du Pont, 214 per cent; J.C. Penney, 470.8 per cent; Procter & Gamble, 233.6 per cent; and Woolworth, 214.4 per cent, to show a few.

With this widening of the owner base has come, too, a remarkable change in the kind of people who own stock. In grandfather's day, the popular idea of a stock owner was a gouty old gentleman who clipped his coupons and played whist at the Yale Club, or a stately, elderly lady who was driven to her bank in an electric brougham.

Today, the stockholder is likely to be a factory mechanic or housewife who reads the financial pages after she sends the kids to school. In a chatty appeal to prospective stock buyers, the old investment firm of Bache & Co. asks and answers the question, "Must I have a large sum to invest to open an account? No—definitely not. Today, the great majority of investors are people of average means in every walk of life. Whatever amount of money you plan to invest, you'll be welcome."

In 1952 a survey showed more than 200,000 shareholders made less than \$2,000 a year. Both the New York and American (Curb) Exchanges have drives to popularize stock ownership in low and middle income levels. The public is looking (Continued on page 91)





# TROUBLE SHOOTER AT THE BIG FOUR MEETING

WHEN President Eisenhower and Secretary of State John Foster Dulles sit down to talk peace with the leaders of Russia, Britain and France at the Big Four meeting, the news photographs of the historic occasion may reveal a lean, smartly dressed career diplomat hovering not far from Mr. Dulles' elbow. Few will recognize his face but his name is a household word from Penobscot Bay to Panmunjon.

The man who will be passing notes to Mr. Dulles when the talks get down to negotiating a cold war truce is Douglas MacArthur II, 46-year-old nephew and namesake of Gen. Douglas MacArthur.

It is Mr. MacArthur's peculiar fate that he is usually introduced as the general's nephew, rather than by his own title, Counselor of the State Department. Although he is the State Department's trouble shooter-at-large and one of Mr. Dulles' closest advisers, he has learned, like his colleague, Undersecretary of State Herbert Hoover, Jr., that it is exceedingly difficult to make a name for yourself when the name you bear is already known to history.

This hard truth was brought home to Mr. MacArthur, for perhaps the thousandth time, on a recent trip to Europe. He had wired ahead for hotel reservations, taking pains as he always does to include the numerals after his signature. He arrived to find the royal suite awaiting him—and the manager bitterly disappointed that his guest was not *le général célèbre*.

He experienced a similar "Oh, it's only you" reaction when he came to Washington in early 1953 to assume his present post. An excited real estate man passed the word that Douglas MacArthur was buying a house in Georgetown, and several gossip columnists leaped to the conclusion that the general was going to be Mr. Eisenhower's Secretary of Defense.

A surprising number of people who do notice the "II" after his name take him to be General MacArthur's son. This puzzles Mr. MacArthur, since considerable publicity has been given to the fact that the general's only son, Arthur, is just 17 years old. Mr. MacArthur is often tempted to shout that he has a daughter one year older than Arthur.

ROBERT PHILLIPS-BLACK STAR

**A career diplomat and one of  
Secretary Dulles' closest ad-  
visers, Douglas MacArthur II  
is more widely known as the  
general's nephew than as the  
Counselor of the Department  
of State** By LOUIS CASSELS

Mr. MacArthur's problem is compounded by the fact that he has not one, but two illustrious relatives. His father-in-law is former Vice President (now Senator) Alben W. Barkley. But the cynics are wrong if they credit the general or the Veep with Mr. MacArthur's present job. It was another general who plucked him from comparative obscurity and installed him in the top echelon of State Department policy makers.

When General Eisenhower was preparing to become supreme commander of the newly formed North Atlantic Treaty Organization, he instructed his chief of staff, Gen. Alfred M. Gruenthal, to recruit someone from the State Department to serve as diplomatic adviser on the SHAPE headquarters staff. General Gruenthal chose Mr. MacArthur, who, as deputy director of the State Department's Office of European Affairs, had been working closely with Pentagon officials on NATO preparations.

General Eisenhower had expected General Gruenthal to come up with a prominent ambassador. But he remembered that Mr. MacArthur had served as an assistant political adviser on his SHAEF staff during the liberation of France and that he had formed a good impression of him then.

"Okay, go ahead and hire him," he said.

General Gruenthal telephoned Mr. MacArthur at his home that evening.

"Ike wants you to serve on his staff at SHAPE," he announced. "Can you leave for Paris in 48 hours?"

Mr. MacArthur stammered something about having a job to close out and a house to sell.

"All right," said General Gruenthal magnanimously. "Take a whole week."

Mr. MacArthur served at SHAPE for two years, helping to steer the NATO command through the difficulties and complications that beset a defense force in which 14 sovereign nations have a stake. Salving the sore spots of allied relations is highly confidential work and his efforts attracted little public attention. But his boss admired and appreciated his work.

"Mr. MacArthur made a tremendous contribution to the success of NATO." (Continued on page 62)



*Mr. MacArthur is never far from side of Secretary Dulles during diplomatic meetings abroad. When he is in Washington he enjoys spending a quiet evening at home with his wife and daughter*



ROBERT PHILLIPS-BLACK STAR

# SECOND HALF



FRED J. MAROON

- PURCHASING POWER:  
"Increasing"
- NONFARM OUTLOOK:  
"Exceptionally good"
- EMPLOYMENT:  
"Current trends are upward"
- TEXTILES:  
"Experiencing a recovery"
- GOVERNMENT CONSTRUCTION:  
"Powerful upward pressure"
- NONRESIDENTIAL CONSTRUCTION:  
"All-time high, will continue"
- HOME BUILDING:  
"Oversupply unlikely"
- FARM PRODUCTION:  
"High yields, good crops"

## Interview with Dr. Ewan Clague\*

**Dr. Clague, what is your estimate of general conditions for the next six months?**

The general outlook is bright.

**What leads to that conclusion?**

First, and perhaps most important, is the fact that nearly all the economic indicators are pointed upward. For example, automobile production is at an all-time high. Steel production is near capacity. Housing and construction generally are establishing new records. These favorable factors naturally influence the outlook.

Most people are inclined to predict a continuation of present trends and to act aggressively. Business success breeds optimism.

**But doesn't this very optimism**

**create pessimism in the minds of some observers?**

Yes, careful observers are likely to question whether the optimism is based upon solid facts or is exaggerated by wishful thinking.

Furthermore, the most successful forecasting is that which foresees a change in trend as far in advance as possible. So we must always keep looking for signs of weakness or imbalance.

**Are there such signs today?**

There are a few. For instance, there is some uneasiness over some forms of credit and over unemployment.

**Let's look at some of these indicators—both optimistic and pessimistic.**

We can see some of both in housing.

During the first five months of 1955 we started about as many homes as in the corresponding period of the banner year, 1950, when about 1,400,000 units were started.

**What has given home building such impetus?**

The rate of building slowed down somewhat in the second half of 1953

\*Until his term expired recently, Dr. Ewan Clague had been for many years the Commissioner of the Bureau of Labor Statistics, Department of Labor. President Eisenhower has reappointed him to this post, but the Senate has not yet acted upon the reappointment. At present he is a special assistant to the Secretary of Labor.

# LOOKS GOOD

and this continued into the early part of 1954. Then Congress passed new legislation easing the terms of credit for the purchase of homes. The almost immediate result was a new surge of home buying. By the closing months of 1954 the new housing starts had reached an all-time high for that season. The early months of 1955 continued those high levels.

## Will this high rate continue for the rest of the year?

It is always hard to measure the extent to which consumers will want to raise their housing standards, so the amount of backlog of consumer demand is not easy to measure, or even to guess. There is some question whether sufficient credit will be available to sustain the current rate throughout the year. Some careful observers are also concerned that there may be some degree of overbuilding in sight because we are in a temporary low period of family formation.

The birth rate reached its low point in the middle of the '30's. The babies of that period are our young people now coming of age, marrying and rearing families. If we should have the high housing year that now seems in prospect for 1955—perhaps 1,300,000 units—we would be building new homes at a rate about twice as high as the current net family formation.

## Does this mean conditions will change rapidly in the housing field?

Some studies indicate that our country needs around 1,500,000 new homes a year for the next five years to catch up with long-standing demand. Remember, too, that we have about 50,000,000 houses in the United States so that the new units built in a single year amount to less than three per cent of the entire supply.

Therefore, it would be hard to get a great oversupply of homes in any short period like six months.

## Doesn't the demand for homes affect many other fields?

Perhaps I should point out that the building of a house takes from three to four months. So the volume of home building that has already taken place in 1955 foreshadows demands for equipment and furnishings running far into the autumn:



BLACK STAR

Our country needs 1,500,000 homes a year for five years

radios, TV sets, furnishings, furniture, dishwashers, garbage disposal units, driers, electrical appliances of all sorts, as well as air conditioning which is becoming more of a necessity, at least in some places. In the higher price ranges air conditioning is becoming standard equipment in a new home.

## Does the housing boom suggest a drop off in other consumer items, inasmuch as the average American has only so much money to spend?

No, it is true that nearly everybody is conscious of the limitations on his income, but there have been no signs of any slackening in the demand for food, clothing, or other items in the average family's market basket.

In fact, the textile industry, which had a bad year last year, is already experiencing a recovery in demand based in part upon the development of many new improved types of apparel.

One of the enthusiasts in this field, stressing the comeback of cotton, has called cotton the miracle fiber of 1956 because of the impressive new qualities which have been developed.

In the matter of food, the average family is eating better than before. Families this year have been eating more beef than last year, and beef is one of the higher priced meats. Conversely, consumption of the traditionally cheaper foods has declined.

## We have been talking about the building of homes, but aren't there other construction demands?

Yes, indeed. The expenditures on home building amount to only about

one third of the total volume of new construction in the United States. In addition to homes there is government construction—federal, state and local—roads, schools, hospitals, military installations, etc. This type of building makes up another one-third of the total construction volume. And then, of course, there is the business demand for factories, office buildings, hotels, and structures of that sort.

## What is the outlook for government construction during the next six months?

There is a powerful upward pressure in this whole field. The large increase in the number of children in recent years is putting tremendous pressure on local school buildings; increased medical care is bringing greater demands for more hospitals; the expanding population requires more streets, sewers and all kinds of local public works. This pressure is intensified by the suburban movement of the population. About half the families now own their homes as against about one third 20 years ago. This means that our cities are spreading out more, requiring the development of additional local utilities.

The great increase in the number of automobiles is bringing tremendous pressure on road building.

There is one other important point about construction in the second half of 1955.

Public agencies make their building plans far in advance, so that in all likelihood the volume of public construction for the next six months has already been firmly determined and would not be greatly altered in the near future.

## Then the outlook for spending at all government levels for con-



Demand for home equipment and furnishings will continue

## SECOND HALF *continued*



### What do you mean by the phrase there is "every indication that this rate will continue"?

Just this: I was thinking of volume of construction put in place—amount of building that is done in a particular month. The investment types of construction take a long time to complete, so that the start of a new project, say an office building, insures continued building operations at that site for the next six months to a year.

Again, the contracts awarded as reported by F. W. Dodge Corporation reached an all-time high in the spring of 1955. These contract awards presage continuing operations in construction for the next year or more.

### You mentioned that steel is booming. Does that mean that we are going to have steel booming for the next six months?

Steel is one of the supplying industries, that is, its product moves into other goods that are finally sold to the consumer. There is no doubt that steel's recovery from the low point of last autumn has been greatly influenced by the spectacular year which the automobile industry is having.

And, certainly, one of the most important factors influencing steel output in the last half of 1955 will be the volume of automobile production.

### You are indicating then that there might be a drop in the requirements for steel if automobile sales and production should be sharply reduced.

Yes. We know that the normal picture in the automobile industry is for the larger share of the year's output to be produced in the first six months. Some recent estimates show that production in the first half will reach a peak of about 4,250,000 passenger cars, with a decline of about 20 per cent in the third quarter.

The change of models used to occur toward the end of the year.



### Expanding population needs more streets, public works

But the changeover now seems to have shifted to the summer and early autumn months. Thus the sales of next year's models begin in the last quarter of the year.

In view of this pattern, it is hard to see how the volume of automobile production in the next six months could equal present levels. It seems likely that there will be some seasonal slackening.

### Will this drop create much of an economic problem?

The business world is expecting this decline in auto production, and it is undoubtedly being taken into account in the operating plans of many business concerns.

On the other hand, so long as the automobile companies are optimistic about a good year in 1956, they will order steel and start production on

EWING GALLOWAY



### More factories, offices, hotels, and churches are being built

their new 1956 models in the latter months of 1955, perhaps even earlier.

The only unanswered question is whether the extremely favorable sales in the first half of 1955 have been made at the expense of sales normally expected later on in the year.

### What about the other major phase of production—agricultural production—for the next six months?

All the recent forecasts of the output of agriculture as a whole indicate high yields and good crops. In some of the price-supported crops there have been cuts in acreage to hold production down.

### Do these cuts go into effect during the next six-month period?

Yes. Some of these cutbacks were ordered last year in view of the crop prospects for the present year. Our continually improving methods in farming lead to constantly rising yields per acre, so that the cutbacks in acreage do not bring equivalent cutbacks in production.

### Does this increased productivity indicate a lowering of prices?

NATION'S BUSINESS · JULY 1955

### ► Improved types of clothing increase demand for textiles

### construction is very good for the next six months?

Yes, indeed. It's almost certain to remain high over that period.

### Does the movement of our population from the city into the suburbs and the surrounding areas, Dr. Clague, create demand for services and goods as well as utilities?

Certainly. The recent expansion in neighborhood shopping centers is an excellent illustration of the attempt of businessmen to service the consumers in these suburban areas. This, of course, means an expansion in stores, service shops, and similar types of business construction. Furthermore, this shift in residence has resulted not only in an expansion in the number of movie houses and amusement parks but also in



BLACK STAR

### ► The average family is eating better than ever before

churches, in which there is at present a building boom.

### How does the move to the suburbs affect industrial production?

Business concerns are building more factories, office buildings, hotels, and other types of investment construction designed to provide more goods and services to consumers. As a matter of fact, to sum up on this point, I must emphasize that the total volume of private nonresidential construction in the U. S. today is at an all-time high with every indication that this rate will continue during the remainder of 1955.



► *Less than 40 per cent of men more than 65 are working*

Certainly that is the way the economic system works. For example, in the Bureau of Labor Statistics' Wholesale Price Index, the peak prices of farm products were reached in early 1951. Now, farm prices have fallen about 20 per cent on the average, while the industrial products' price index is only about two per cent below its 1951 high. This price decline in farm products is evidence of large scale farm output and ample supplies of farm products.

Of course, this fall in prices has meant some decline in aggregate farm income.

At the same time, people are still continuing to leave the farm and move into the cities to take jobs in industry. The shrinkage in the number of farm families which has been going on for the past 40 years is still going on. So it has been interesting to note that while farm income as a whole has been declining, the income of the average farm family has leveled off in the past two years. Some recent statistics of the Department of Agriculture show that the average income per capita of the farm population was slightly higher in 1954 than in 1953.

#### **What is the outlook during the next half year for other than farm income?**

This outlook is exceptionally good.

For about two years the earnings of the workers in manufacturing industries averaged about \$72 a week. Then, with the recent business recovery, which began last fall, this figure jumped in a few months to \$76.11 a week, where it now stands.

Coupled with this has been a leveling off in the prices that are paid by consumers so that the result has been a net gain in the real purchasing power of the average factory worker.

To put it into actual figures, the pay check of the average factory worker in the late spring of 1955 would buy about six per cent more goods and services than it would a year earlier. This takes into account the payments of the family for in-

come taxes and social security contributions.

Not all industries have shown equivalent increases in earnings. But even in the depressed industries, like coal and textiles, the weekly earnings of the workers actually employed are higher than a year ago. In textiles, this is due to the improved demand for apparel; in the case of coal, it is due to the increased business activity which requires more fuel.

So far as the rest of the year is concerned, it should be noted that wage increases are still occurring in one industry after another as contract settlements are being signed. These increases appear to run from five to 15 cents an hour in cash wages, which is sure to have a favorable effect on the average weekly earnings later in the year.

#### **What is the general outlook for employment during the next six months?**

The most significant fact in connection with the business decline of 1954 was the drop of about 2,000,000 workers in manufacturing industries. There was also some decline in transportation and mining. The rest of the economy was hardly affected at all.

Now, with the business recovery in the spring of 1955, manufacturing employment has risen about 700,000 from the low point in the summer of 1954. It is still about 1,200,000 below the peak in the summer of 1953. In other industries the usual slow but steady increase in employment is occurring this year.

The Bureau of the Census reports total employment for the whole econ-

#### **ly as employment increases?**

Well, at the moment unemployment is definitely declining. In May, for example, total employment rose by more than 1,000,000 above April and unemployment fell by 500,000. On the other hand, I must point out that unemployment is a tricky thing to measure and to interpret.

In the first place, there is a large seasonal factor in the unemployment figures. Generally speaking, with the



► *1,000,000 more workers have jobs than had them last year*

normal business and agricultural expansion that takes place every spring, unemployment declines from February through May. The spring of 1955 has been no exception. Unemployment amounted to about 3,750,000 in February and the latest monthly figure is slightly less than 2,500,000. Except for the month of June, when students and housewives enter the labor market in large numbers, unemployment remains low during the summer months. In fact, October is usually the low month of the year. Employment declines in agriculture and in some seasonal industries in November and December are generally just about balanced by the temporary employment generated in retail trade by the Christmas season. So long as we confine our discussion to the next six months, I don't have to face the problem as to whether unemployment will be higher in January and February of next year.

There is another important point about unemployment, a reason why it isn't exactly the counterpart of the fluctuations in employment. That point is the growth of the labor force from year to year.

Each year there are more people of working age, and we normally pick up in this country about 600,000 workers a year. But in the spring of 1955 we do not seem to have expanded the labor force as rapidly as in preceding years. If we had, the unemployment figures would be larger. The present unusual situation is partly due to young people staying in school. There is a lower rate of labor force participation this year in youngsters under 20. At the

*(Continued on page 73)*



► *Per capita farm income has increased during 1955*

omy to be about 1,700,000 higher than at this time last year.

#### **Do you see continued improvement in general employment over the next six months?**

Yes, the current trends are upward.

#### **Does that mean then that unemployment will decrease exact-**



GEROTS-PIX



*Under U. S. relocation program Indian*

# U.S. AIM: GIVE INDIANS A CHANCE

Government program to help American Indians escape handout status will provide more workers, increase production and help reduce the annual tax bill of more than \$91,000,000

By **GLENN L. EMMONS**,  
United States Commissioner of Indian Affairs

THERE are approximately 400,000 "enrolled" Indians in the United States. These are Indians recognized by their tribes as members. Many good citizens consider them a liability, but these original Americans are one of our nation's great potential assets.

The Indian Bureau cost the taxpayers \$91,112,400 last fiscal year. There are 11,715 permanent and 1,618 temporary employees in our organization, which is approximately one for every 30 Indians which the Bureau serves. This cost represents a levy on every citizen and every business corporation in America.

Our program calls for making this investment pay real dividends in material and social progress, while progressively moving to take the government out of the Indian business.

In doing this we can add many Indians to the nation's pool of effective manpower, make better use of Indian lands, and speed the day when the Indian will no longer be an expensive special beneficiary of the federal government but a full-fledged U. S. citizen who shares both the privileges and responsibilities of citizenship—including, in the latter category, the obligation of paying property taxes.

Many Indians are well assimilated into American community and national life. This is especially true in areas where Indians have long attended public or private schools with non-Indians, voted and held public office, and engaged in business on equality with their neighbors. Good examples of such integration are the Six Nations Indians of New York State, the Five Civilized Tribes of Oklahoma, and the Indians living in Wisconsin, Minnesota, and California.

But some 250,000 Indians still live on reservations or in nearby communities. Their lands are held in trust by the government. The responsibilities which the Bureau of Indian Affairs has today are derived partly from 370 treaties drawn up with tribal leaders years



*families switch from reservation to city life. For 6,000 Indians relocation has brought new jobs, new hope*

ago and partly from statutes enacted by Congress from the beginning of our government. While a few reservation Indians have good incomes from oil, gas and timber, the majority are poorly housed, without adequate implements for modern farming and without regular incomes.

On some reservations health conditions are deplorable. Tuberculosis in some Indian communities runs eight to ten times as high as the national average. Dysentery—from lack of proper sanitation—is several times as prevalent among Indians on most reservations as among their white neighbors. Flu, pneumonia, and infant mortality take their toll.

I do not believe that Indians are lazy or that they lack ability to make a decent living. The major cause for Indian poverty lies in the nature of their environment: poor and badly neglected lands, rapidly increasing populations and lack of opportunities for full employment.

This Administration, with the cooperation of members of Congress of both parties, is determined to give our first Americans a better break. At the request of President Eisenhower, soon after I took office in August, 1953, I toured all Indian areas and visited the agencies of most of the tribes. Although I had lived close to large groups of Indians in my home town of Gallup, N. M., for 34 years, my tour added greatly to my knowledge of Indian affairs. Since then I have talked to thousands of Indian tribal leaders and members, to their white neighbors, to religious workers, to state and local officials. I have learned that you cannot apply the same yardstick to the nearly 300 tribal groups throughout the country. One solution cannot cover all their problems. However, I am convinced that we can and must help these people into the stream of modern progress.

"We are proud to be Indians, but we want to work



# GIVE INDIANS A CHANCE *continued*



## Leo Whitehawk,

*a Sioux from Wounded Knee, S. Dak., where last Indian war was fought 60 years ago, overcame tribal prejudice against the white man and brought his family to Chicago*

and live like Americans!" Scores of Indians of many tribes have expressed that sentiment.

Many tribal leaders are awake to the challenge of modern progress. They are no longer content with the policy of "keeping the Indian an Indian." Especially is this true of younger Indians, many of whom were GI's in World War II or in Korea. They have traveled far and have learned the importance of independence and self-sufficiency. As one young Indian leader expressed it, "I was good enough to fight for my country. I am good enough to own property and support my family."

One tragic aspect of Indian unemployment is its needless economic waste. Indians are naturally as skillful workmen as any people on earth. They have high ability with their hands, in skilled trades, in precision activities, in professions that require accuracy and stamina. I estimate that we can add many thousands of effective Indian workers to the U. S. labor force through our program of helping the Indians to help themselves.

We are attacking the problem with three major projects:

### **1. Relocation of Indians in industrial areas**

Many reservations simply cannot support the people on them. When I came to Gallup in 1919, there were about 28,000 Navajo Indians. Today there are about 75,000. Their reservation extends over 15,500,000 acres of tribal and allotted land. Yet its arid acres cannot support that many people. Most Navajos are sheep herders. In 1934, to conserve their grazing lands, their herds were reduced. But that neither increases their production nor adds to their incomes. On many other reservations similar conditions prevail.

One answer is to help those who want to leave their reservations and find work. Dillon Myer, my predecessor, started this program of relocation in 1952. Now we operate relocation centers in Chicago, Denver, Los Angeles, and Oakland, Calif. Additional centers are



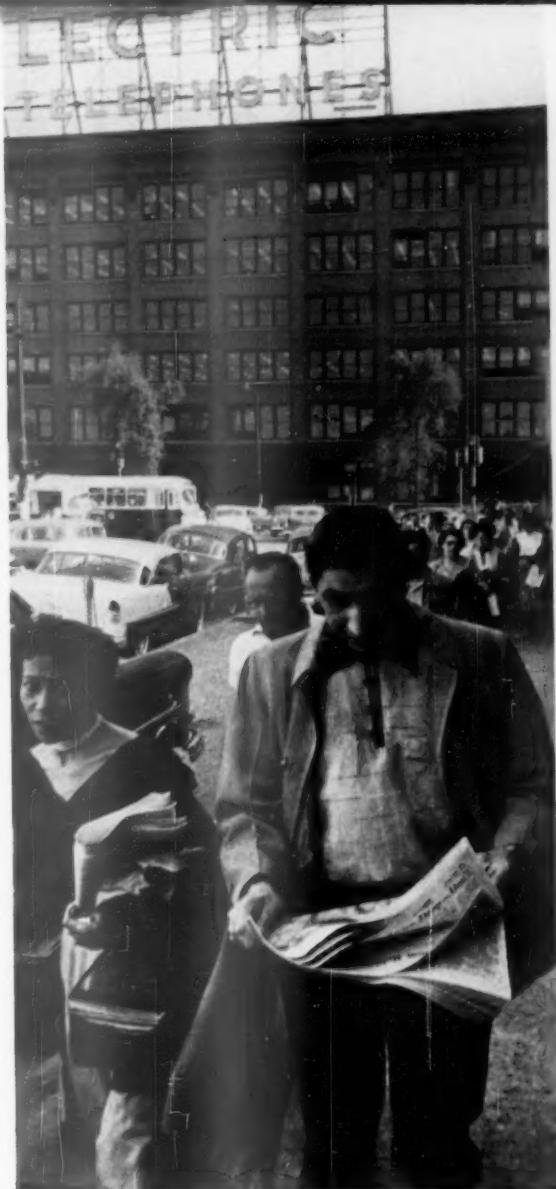
planned for Seattle, Kansas City, and St. Louis. To date, more than 6,000 Indians—men and women—have been placed in jobs.

"I'd like to be a mechanic, and I'll go wherever I must to get the job," John Black Eagle, a Sioux or Flathead, or member of any other tribe, tells his agency superintendent. Likely John is married, has a child or two, and has been working at odd jobs around the reservation. He and his wife have heard it is possible to get work and earn regular pay. The superintendent and his staff take up the case of the Black Eagle family. To be selected for relocation, Indians must be of good character, in reasonably good health and show some evidence that they want to live permanently away from the home area. If all requirements are met, the family is sent, at Bureau expense, to the relocation center.

Here trained personnel workers take over. Every effort is made to fit the right Indian to the right job. Say the family is sent to Chicago. There our relocation director, Kurt Dreifuss, and his staff have been building up a backlog of job possibilities since 1952. The relocation workers consult their files, confer with prospective employers, take the Indian around for interviews, and thus help him find the kind of work he seems best fitted to do. Unless the Indian is already a skilled worker, the new employer gives him on-the-job training.

The men and women thus employed include Indians of almost every tribe in America. They are working as painters, truck drivers, machinists, carpenters, warehousemen—almost every trade and calling is represented. About 20 per cent of them are women, making good as sewing machine operators, nurses, stenographers, and the like.

"We like our Indian workers. Send us more!" wrote the president of a large manufacturing plant. We have thousands of such letters from employers who have discovered just how skillful, industrious and productive a trained Indian can be. The Santa Fe Railroad has long employed *(Continued on page 51)*



LEO has an automobile, but he rides bus daily to and from his job at Western Electric plant. After work he tinkers with car, takes family for drive



NATION'S BUSINESS · JULY 1955



WHY did Leo Whitehawk move to the city? He says he did it to give his sons, Robin and Pierre, the advantages to be found only in urban areas



# HOW'S BUSINESS? a look

## An authoritative report by the staff of the Chamber of Commerce of the United States

### AGRICULTURE

THE controversial issue on sugar quotas is likely to result in Congressional action this year.

Under the Sugar Act of 1948 (expires, 1956) domestic producers are limited to a fixed quota. They have lined up substantial legislative support for increasing that quota, beginning with this year's crop, and for obtaining part of the normal increase in annual U. S. consumption.

Cuba, our greatest single source of sugar, now receives 96 per cent of all increases resulting from our growing population, in addition to her quota.

Opponents of present bills point out that Cuba is one of our best customers for agricultural and industrial products, and can produce sugar cheaper than American farmers.

Domestic sugar producers insist legislative action is needed now to give domestic areas their proportionate share in the growth of our market; that rigid quotas and acreage restrictions have penalized those farmers who have increased their production through modern technology, and that our present fixed quotas were meant to be temporary to help Cuba make a gradual adjustment downward from the high wartime production levels.

### CONSTRUCTION

Activity in construction continues at high momentum. There is no assurance, however, that all categories of booming private work will continue at present rates of increase.

Should residential building slacken, there are reassuring offsets. The year's most outstanding development is the turnaround in the trend in private industrial building which promises to be expanding and adding its weight to the continuing high vol-

ume of business construction. The dark horse is government construction which has been a neutral, or even a mildly negative, influence. Yet in three areas—highways, sewer and water facilities, and schools—it is hard to conceive of programs which would come near to meeting requirements.

In the current healthy demand for construction, there is evident possibility for shifts in emphasis permitting increases in one area to offset declines in another, resulting in the maintenance of a high and relatively stable amount of total activity.

### CREDIT & FINANCE

Gross public and private debt, which rose \$25,000,000,000 to a Mount Everest peak of \$706,000,000,000 by the end of 1954, probably will continue to rise throughout 1955.

Net public and private debt rose \$20,800,000,000 to \$606,000,000,000 in the year.

One encouraging fact is that net private debt made up two thirds of this increase, or \$13,900,000,000, with private individual and noncorporate debt amounting to \$15,200,000,000. Private corporate debt showed a \$1,300,000,000 net decline—a reduction of \$6,200,000,000 in short-term debt offset by a \$4,900,000 rise in long-term debt.

Public debt rose \$6,900,000,000, of which \$4,800,000,000 was state and local debt mainly for financing of construction. Most encouraging was the small rise of only \$2,100,000,000 in net federal debt as compared with a \$5,200,000,000 increase in the previous year.

### DISTRIBUTION

Retail sales continue to reflect that this is the biggest business year in history. Prospects continue bright

also. General retail level is estimated to be from four to eight per cent above last year.

Hard goods, luxuries, and automobiles are doing particularly well.

Promotion is a key factor. Retail newspaper ad lineage in 52 cities through April was up five and nine-tenths per cent average over last year. Marketing publications and surveys stress that department stores are not realizing potentials which could be possible through smarter merchandising, selling and promotion.

Only dark spots: Competition is tougher. Margins are narrower. Total picture bright, but could change should serious strikes occur. Labor factor continually looms larger in retail picture.

### FOREIGN TRADE

Upswing in domestic business activity and strong recovery of industrial production during the first part of this year promise a continued healthy level of U. S. foreign trade for the balance of 1955.

First quarter imports have risen by about seven per cent over the same period last year while exports of nonmilitary goods have risen 16 per cent in the same period.

Aided by various foreign aid outlays, by the net outflow of private foreign investments and by continued high dollar expenditures for services, foreign countries continued to add to their gold and dollar holdings as well as increase their purchases of United States goods. This trend is likely to continue, although individual countries may present special problems as markets for U. S. goods.

A bright spot on the import side is the continued migration of American tourists to foreign shores. These invisible imports, painless because they do not provide competition here at home, are directly related to prosperity and provide foreign countries with welcome dollars for use in purchasing U. S. goods.

### GOVERNMENT SPENDING

How much will spending for foreign aid be cut? At this point no one is prepared to make a guess, and supporters of the program are not conceding that there will be any cut.

# ahead

They point to the passage by the Senate of a military and economic foreign aid bill authorizing the \$3,400,000,000 requested by the Administration.

The program got something of a jolt from the Hoover Commission report on Overseas Economic Operations.

While conceding the need for further foreign economic aid, seven Commission members said that "Surely, after almost ten years, the time has come to apply some brakes to this overseas economic program."

The Senate bill authorizing continuation of the program still has to pass the House, and the appropriations measure will come after that. The House and Senate Committees on Appropriations have not shown too much enthusiasm in the past for some phases of the foreign aid programs, and with their caution buttressed by the Hoover Commission report, the economy advocates appear to have the edge now.

## LABOR

A movement that is slowly but continuously picking up interest is the demand for legislation to place labor organizations under federal antitrust law.

Although made from time to time, demand is now emerging from the whisper stage.

The Attorney General's National Committee to Study the Antitrust Laws pointed out that some unions engage in practices aimed directly at commercial market restraints by fixing the kind or amount of products sold, their market price, the areas in which they may be used, produced, or sold, and the number of firms which may engage in producing or distributing them.

The Chamber of Commerce of the United States presented evidence of union restraint of trade, enforced through such activities as secondary boycotts and featherbedding contract provisions, to hearings before a House subcommittee.

Chairman Celler (D-N.Y.) expressed surprise when he learned that the Taft-Hartley Act, as interpreted, does not prohibit such practices. The Chamber testified that antitrust laws could be applied to unions without affecting them in their legitimate activities.



ROTKIN - PPI

## NATURAL RESOURCES

The soft coal industry is making a gradual recovery from its eight-year slump. Production declined steadily from the record of 631,000,000 tons in 1947 to 392,000,000 tons last year. The tide turned about the first of 1955. This year's production through May 21 is 170,756,000 tons, an increase of 17 per cent over the corresponding period of 1954. Although part of this increase may represent adjustment of stocks, the year's total probably will be at least ten per cent more than 1954. The biggest gains will be in coking coal and fuel for electric utilities.

Bituminous coal production is likely to make slow gains for several years, then rise at an accelerated rate as costs rise for competing fuels—natural gas and fuel oil. By 1975 annual coal production will be about 815,000,000 tons, of which 300,000,000 will be used for power and 150,000,000 for coke in the steel industry. By that time some coal may even be used to produce supplemental gas for the natural gas pipelines to our cities and in the manufacture of synthetic liquid fuels.

If the industry booms in the 1960's a manpower shortage could become a real problem. The pinch will be felt particularly in engineers and supervisory personnel.

## TAXATION

Will there be tax cuts next year? Probably.

The big questions are: What taxes should be cut, and how should the cuts be shared in order to push our currently booming economy to still higher levels?

The subcommittee on tax policy of the Joint Committee on the Economic Report has pounced gleefully upon this problem as subject for full scale rehearsal prior to next year's

legislative session and prior also to the official opening of the election campaign of 1956. Written statements in October and panel jousting in December will create a forum for all kinds of views.

Watch for heavy newspaper, radio and TV debate on this subject. Stories with a Washington dateline come easily during the news-scarce fall months, particularly when the subject is as dear to American hearts, and pocketbooks, as the burden of federal taxes and what to do about them. If nothing else comes of this effort, at least the arguments for future debate will be well marshaled for ready use.

## TRANSPORTATION

All forms of domestic transportation look forward in the next six months to an increased volume of business that should exceed last year's totals. A banner first half coupled with forecast increases in general commercial activity for the coming half year are responsible for the optimism.

Motor carriers set a new tonnage record in the first quarter. However, the recent strike affecting truck lines in 11 western states may reduce later truck figures. Freight traffic hauled by rail is expected to compare with 1954's totals. Operating revenues should go up with predicted business volume in the last six months. Inland waterways report an increased number of industries and power plants selecting water-side sites and needing barge service. The high level of steel production is an important factor in the bright outlook of the Great Lakes carriers. Trend is now to larger vessels on the Lakes. The airlines are anticipating an increase in passenger miles that might exceed last year's record by as much as 18 per cent. Air mail and air cargo volume is also moving up.

# Unions buy BLUE CHIP STOCKS

Investments in common stocks include:

<b>Electrical Workers'</b>	<b>\$16,500,000</b>
<b>Machinists'</b>	<b>\$ 1,800,000</b>
<b>Potters Brotherhood's</b>	<b>\$ 3,600,000</b>
<b>Teamsters may authorize</b>	
<b>Investment of nearly.....</b>	<b>\$ 7,000,000</b>

By JOSEPH M. GAMBATESE

**LABOR UNIONS** are buying more blue chip common stocks with the money they own or control.

Among their assets are an estimated \$1,000,000,000 in union treasuries and \$5,000,000,000 in welfare fund reserves (not including pensions) over which unions exercise at least some control.

Total pension and welfare fund reserves amount to about \$22,000,000,000, including about \$17,000,000,000 which banks and insurance companies hold for pension payments. These reserves are growing at the rate of about \$2,500,000,000 a year while employers pour about \$5,000,000,000 a year into them.

The bulk of union assets is still in government securities. Union investment in stocks does not seem large enough to indicate a union interest in getting heavily into the field of management.

However, activity in stocks has been sufficient to attract the attention of several committees of Congress, the Securities and Exchange Commission, investment houses and other security counselors. Among the subjects of inquiry are: impact of union and pension and welfare funds on the investment market; abuses and corruption in handling welfare funds; the right of unions to compete against employers they deal with; the effect of union stock ownership on collective bargaining.

Until recently union officials have shied away from stocks and risky business ventures. Many of them remember the depression when most of the 32 union-controlled banks failed. There are only five today. Curb against speculative stock investments, in fact, are included in many union constitutions, although investment-minded unionists are giving such clauses fairly liberal interpretations.

Today, however, men with an eye for profitable investing have taken over leadership of some of the richer unions. One of these is Dave Beck, head of the 1,000,000-member Teamsters Union. As fast as he can he is shifting more of the union's \$34,000,000 treasury from U. S. Government bonds into higher-interest Treasury notes, government-insured mortgages and other loans. He would like to get up to 20 per cent of the union's funds into common stocks now that

he has convinced his executive council that the union's constitutional requirement that not more than \$50,000 may be invested in the bonds of any one company does not limit stock investments.

J. Scott Milne, president of the 625,000-member International Brotherhood of Electrical Workers, built the union's pension fund up from \$1,886,000 in 1946 to \$43,000,000 today largely through what he calls "a successful investment program," although contributions by electrical contractors must have played an important part in the rise. As secretary-treasurer of the union until last year, Mr. Milne had major responsibility for the investment of \$5,385,000 of pension funds and \$11,296,000 of the union's \$36,000,000 insurance reserves in corporate stocks.

About 200 national and 70,000 local union organizations collect \$443,000,000 a year in dues from 16,000,000 workers. Officials of well-heeled unions see wise stock investment as an opportunity to increase the income yield of union assets as well as the total assets themselves through rising stock prices.

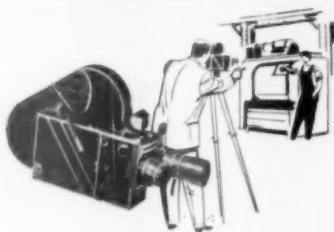
As partners in the management and investment of many large employee welfare funds these men have had a close look at how money, invested in the right stocks at the right time, can earn two and three times as much as it can in industrial and government bonds or savings and checking accounts. With the millions the unions have to invest, the rate of return makes a big difference in total dollars.

## Investments conservative

In spite of the trend, union investment is still conservative. Even the two largest investors—the International Brotherhood of Electrical Workers and the International Association of Machinists—invest only 20 and 15 per cent of their funds, respectively, in stocks. An exception is the small, but financially active, Brotherhood of Operative Potters at East Liverpool, Ohio, with only 24,000 members. It has 72 per cent of its \$5,000,000 assets in common stocks.

The union investment is conservative, also, in the kinds of stock bought. IBEW, through a Washington bank, buys only stock that has paid dividends for 25

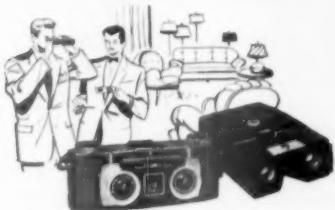
**How other firms are improving business with pictures**



**Factory in a film can**

"Wrap our plant in a package so we can carry it along on sales calls!" With these instructions to movie producers Farrell & Gage, General Manager Jack Kleinoder ordered a 16mm. color film about Volkert Stampings, Inc., Queens Village, N. Y.

Filmed with a Cine-Kodak Special II Camera, the 20-minute movie explains Volkert's electronic parts manufacturing services to development engineers. "We credit the film," says Kleinoder, "with a lot of unsolicited orders which helped to pull us successfully through a slack period."



**Stereo surpasses samples**

You can't carry samples when you're selling furniture. But Charles W. Leard, Sales Manager of Jackson Chairs, Inc., wanted something more appealing, more persuasive than ordinary catalog pictures. After talking his problem over with a Kodak dealer, he decided to try dramatizing his products with 3-dimensional color slides made with a Kodak Stereo Camera. The results were so vivid that all the Jackson salesmen are now equipped with Kodak Stereo Viewers and selling successfully with Kodachrome Stereo Slides.



**Scale problem scaled with slides**

A new product brought a new problem to the Toledo Scale Company. Introducing their new Valueprint System—for imprinting pre-packaged food labels—called for color and showmanship. Yet they wanted to do it as economically as possible.

"We did it dramatically and successfully," says Advertising Manager C. H. Cadwallader, "by showing it at nationwide sales announcement meetings with Kodachrome slides and seven Kodaslide Signet 500 Projectors."

How can you use photography to boost sales, cut costs, and improve efficiency? Your Kodak Audio-Visual Dealer can help you answer this question.



## **Projector breakdowns don't trouble this captain's mind**

"We simply can't afford a projector breakdown," says Tony Marinkovich, Captain of the French Sardine Company's "Star Kist," mother ship of a huge tuna fishing fleet operating out of San Diego, California. "Movies are the heart of our employee-relations program. We even have a helicopter fly new films out to us. The Pacific's no place for a projector breakdown. An interruption of our movie program can mean a mighty unhappy, unproductive crew.

"That's why I take aboard the Pageant Sound Projector you see with me here," adds Captain Tony. "It not only stands up against the salt air and rough usage, it takes the gaff *without a bit of maintenance.*"

No wonder. The Kodascope Pageant is the *only* 16mm. sound projector designed to by-pass the most common cause of projector failure—under- or over-oiling. It's

permanently pre-lubricated—never needs a drop of oil!

### **For sales and training**

Whatever your business, if you use movies, this projector ruggedness can be valuable to you, too. Salesmen on the road, for example, give their projectors a real beating. Even in the home office, where a projector is used for training by many different people, oiling and maintenance schedules are hard to keep track of. But with a Pageant, you never have to worry.

And to assure brilliant screenings with superb sound, Pageant Sound Projectors have many more outstanding features. Just send the coupon for a free catalog with full details.



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NAME \_\_\_\_\_

POSITION \_\_\_\_\_

COMPANY \_\_\_\_\_

STREET \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_  
(Zone) \_\_\_\_\_

**Kodak**



## Unions buy *continued*

years. The IAM, through a broker, buys only stock which is approved for trust funds. The Potters stay out of industrial stocks, deal heavily in utilities and some transportation stocks.

Sometimes, too, pension and welfare funds are invested in stock of the company for whom the employees work. Two thirds of the \$633,500,000 profit-sharing pension fund of Sears, Roebuck & Co. employees is invested in 6,300,000 shares of the store's stock, giving the fund 26 per cent of the control of the company. Another pension fund got large enough to buy the mid-west food store chain which created it.

A Senate labor subcommittee, investigating abuses in the handling of jointly administered pension and welfare funds, reported:

"The intent of Congress [in the Taft-Hartley labor law] to provide joint control and administration through a board of trustees composed equally of representatives of the employer and the unions is, in many cases, being circumvented. There seems to be a widespread feeling among employer trustees that the trust fund is a union fund. . . . In a number of cases there was evidence of complete failure by employer trustees to exercise even the most elementary duties and responsibilities of a trustee."

Abuses uncovered do not involve stock or other investments, but rather mishandling of funds, kickbacks of fees, excessive expense accounts, and the like. Nor do they involve funds of the large electrical, automobile, steel and other companies, most of which are held in trust by banks and insurance companies.

Meanwhile, fiscal policies of the American Federation of Labor and the Congress of Industrial Organization are still against common stocks.

"We're running a union, not a financial business," says William Schnitzler, AFL secretary-treasurer.

Except for \$15,000 in stock of Union Labor Life Insurance Co., owned by AFL affiliated unions, the AFL has split its \$1,600,000 treasury about half in U. S. savings and treasury bonds, half in cash. It has

\$1,800,000 in the new \$4,800,000 headquarters building under construction in Washington. Affiliated unions will take a first mortgage for the balance.

The CIO has \$1,125,000 of its \$2,200,000 assets in government bonds, the rest in cash and its headquarters building. While against stock investments generally, James B. Carey, CIO secretary-treasurer, has made a stock investment of \$10,000 from the \$45,000 pension fund for staff employees of the International Union of Electrical Workers, which Mr. Carey heads. But the stock is only in companies with which the union has bargaining contracts, thus enabling the IUE to receive stockholders reports and participate in stockholder meetings. The union owns not more than five shares in any single company.

From the evidence, there seems to be little general concern that unions will try to control business or seek an effective voice in management through stock ownership, or that collective bargaining as we normally conceive it will deteriorate.

Union-controlled funds at present are considered insignificant in the total investment picture or in relation to corporation assets.

Union officials insist that their only interest in stock ownership is strictly from an investment standpoint, with no idea of using it to pressure management or to take over.

As Mr. Milne of IBEW says: "If we invest in any company which in our opinion ceases to continue proper and efficient management, except for unusual conditions, we will withdraw and treat this purely on its investment merits, rather than use it as a means of forcing an issue. . . . As stockholders, we are only interested in getting a fair return on our investments in order to build up our pension funds and keep faith with our members. We have no desire to interfere or participate further in corporation management."

Some companies have instituted stock purchase savings plans which make company stock available to employees at reduced cost. Such a plan, involving non-voting stock only, was offered by Ford Motor Company in negotiations with the CIO Auto Workers Union.

The right of unions to insist on bargaining over employee stock purchase plans is being challenged, however, on the ground that it would give the union a

### Union presidents, as well as unions, are prospects for sale of stock. Here are their salaries:

<b>George M. Harrison</b> , Railway Clerks	<b>\$76,000</b>	<b>W. P. Kennedy</b> , Railroad Trainmen	<b>\$25,600</b>
<b>John L. Lewis</b> , Mine Workers	<b>50,000</b>	<b>H. E. Gilbert</b> , Locomotive Firemen	<b>25,000</b>
<b>Dave Beck</b> , Teamsters	<b>50,000</b>	<b>Richard J. Gray</b> , AFL Building Trades	<b>22,500</b>
<b>James C. Petrillo</b> , Musicians	<b>40,000</b> <sup>1</sup>	<b>J. Scott Milne</b> , Electricians	<b>21,000</b>
<b>David J. McDonald</b> , Steelworkers	<b>40,000</b>	<b>David Dubinsky</b> , Garment Workers	<b>20,500</b>
<b>George Meany</b> , AFL	<b>35,000</b>	<b>William A. Calvin</b> , Boilermakers	<b>20,000</b>
<b>J. H. Lyon</b> , Iron Workers	<b>32,500</b>	<b>Jacob S. Potofsky</b> , Clothing Workers	<b>20,000</b>
<b>M. A. Hutcheson</b> , Carpenters	<b>31,200</b> <sup>2</sup>	<b>Martin P. Durkin</b> , Plumbers	<b>20,000</b>
<b>Joseph V. Moreschi</b> , Laborers	<b>30,000</b>	<b>James A. Brownlow</b> , AFL Metal Trades	<b>20,000</b>
<b>T. C. Carroll</b> , Maintenance of Way	<b>30,000</b>	<b>Walter P. Reuther</b> , Auto Workers	<b>18,000</b> <sup>3</sup>
<b>Harry C. Bates</b> , Bricklayers	<b>30,000</b>	<b>James B. Carey</b> , Electrical Workers	<b>18,000</b> <sup>4</sup>

<sup>1</sup> Half Mr. Petrillo's salary is paid by his local union in Chicago.

<sup>2</sup> Salary is fixed at \$600 a week.

<sup>3</sup> Mr. Reuther gets no salary as CIO president.

<sup>4</sup> Half Mr. Carey's salary is paid by CIO, of which he is secretary-treasurer.

voice in the ownership and management of the company. A decision of the National Labor Relations Board ordering Richfield Oil Corporation to discuss its stock purchase plan with the CIO Oil Workers Union is being contested in the courts.

Some efforts also are afoot to speed up the unions' stock buying programs as a way of balancing investment portfolios.

P. L. Gilsey has been following union investment policies in Washington for his brokerage firm. He says that, based on a study going back 72 years, "a balanced fund—diversified between government and corporation bonds, common and preferred stocks, and in some cases mortgages—is the best type of vehicle to obtain the objectives that the majority of union funds seek."

Robert R. Nathan, a consulting economist remembered for the wage-increase-without-price-increase post-war wage policies he drafted for the CIO, started a financial advisory service for labor unions last year.

Mr. Nathan believes that prices will rise in the long run, doubling in a generation, and that dollar obligations will lose in purchasing power. Union officials, he contends, have a "sacred obligation to their members that includes protecting them against all kinds of risks, even shrinking buying power of money." Mr. Nathan is trying to interest them in organizing a mutual fund, through which a number of unions would participate in organized buying of stocks.

Whatever unwillingness unions generally have shown to get into management through stock buying has not necessarily applied to all labor and all types of business.

Besides the National Bank of Washington, recently formed by the UMW through purchase of two others, unions own one bank in Chicago, one in New York, one in Kansas City, and one in Newark.

Unions also own insurance companies: Union Labor Life Insurance Co., American Standard Life Insurance Co., owned by the IBEW; Insurance Co. of Texas, owned by AFL locals in Texas, two insurance companies owned by the Amalgamated Clothing Workers, and others.

Unions have gone into business to cope with employers they consider unfriendly. The International Ladies Garment Workers built a plant to compete against a struck employer. The International Typographical Union started 11 newspapers to compete with struck newspapers, but most of them have folded.

Unions have started businesses to provide jobs. Local 678 of the United Optical and Instrument Workers,

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my product is property protection—and I sell the best!



"I'm an insurance agent—an independent businessman. Like any good merchant, I take pride in what I sell you.

"Most printed policies look pretty much alike. But that's not what I sell. I don't sell policies—I sell protection and services—my own and those of the company I represent. Together, we provide top-quality protection for the policyholder—the most in value for every insurance dollar."

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## UNIONS BUY *continued*

CIO, in 1953 went into the wholesale optical business in St. Louis to provide jobs for unemployed members. The business was in direct competition with Bausch & Lomb Optical Co., with which the union had a bargaining contract. The company refused to bargain with the union as long as it acted as a competitor, and the matter went before the National Labor Relations Board.

NLRB upheld the company's position, stating that it could not ignore the "innate danger" involved if it were to order the company to bargain with a union which is also its business competitor.

"The union cannot perform its statutory function as bargaining representative if simultaneously it is an immediate business competitor of the particular employer whose employees it purports to represent," the board said. The union is reported to be getting out of the business.

Unions have engaged in other business activities, particularly low-cost housing developments and health centers, to provide services and conveniences for their members.

As tax-exempt organizations, labor unions file reports of business receipts with the Internal Revenue Service. Figures for recent years are being compiled and not yet available. Latest available figures show that, for 1946, labor unions reported total receipts of \$477,701,000 of which \$17,504,000 were receipts from business activities.

A House labor subcommittee, which investigated competitive business activities of unions, last year recommended a "study of the problems raised when unions or union officials become business competitors of employers whose workers they represent for collective bargaining."

"This practice could well reduce collective bargaining to an empty farce," the subcommittee warned.

The Department of Justice has asked the courts to apply the antitrust laws against an AFL seafarers union charged with monopolizing the sale of blankets, dungarees, tobacco and other supplies which U.S. merchant ships are required to carry. Unions ordinarily have been held exempt from antitrust prosecution unless they engage in illegal conduct with employers or other nonlabor groups.

As a rule, however, unions apparently do not want the responsibility of business ownership or business management, even though sometimes they seek to infringe on management's right to operate the business as it sees fit by trying to influence management decisions as to

location, rate and quantity of production, prices, and the right to hire and fire.

Mr. Lewis, although his union owns a bank, told visiting West German coal industry and labor leaders: "We don't want responsibility of management. We want the people who put their money into it to worry about the problems of management. And we can help them to decide—at times—on matters of policy and principle, without being burdened with the responsibility of their detailed management problems."

"If the United Mine Workers went into the coal business," Mr. Lewis continued, "we wouldn't be a labor union when we were doing it. We'd be another competitive commercial enterprise. And the policies of the UMW would have to be modified to suit the requirements of their financial obligations."

Here is how some of the stock-minded unions invest their funds:

**TEAMSTERS:** The union realized \$1,000,000 from \$30,000,000 in investments last year. It has \$10,000,000 in U. S. Treasury notes yielding 2 1/2 per cent and FHA and VA mortgages yielding 4.5 to 6 per cent, and a 4 per cent loan of \$1,000,000 to Fruehauf Trailer Co. Current return is 4.09 per cent, compared with 2.55 per cent before Mr. Beck took over in 1952. At that time, the union had \$8,000,000 in commercial bank accounts drawing no interest and \$1,500,000 in time deposits earning 1.5 per cent.

The Teamsters have no stock investment, although the Fruehauf loan, originally \$1,500,000 in 1953, is secured by 46,226 shares of Fruehauf stock. Mr. Beck wanted to buy the Fruehauf stock outright in 1953. If he had, he says, there would have been a profit of \$800,000 today.

The Montgomery Ward stock purchases were from welfare funds, jointly administered, of the Conference of Michigan Teamsters, Truckaway Teamsters Conference, and Central States Conference.

**IBEW:** This union has \$16,500,000 of its \$43,000,000 pension and \$36,000,000 insurance assets invested in corporate common stock, through a bank which acts as financial adviser and votes the stock. About \$5,000,000 of the pension fund stock is in American Standard Life Insurance Co. and a 556-apartment building in Washington. The basic operating treasury of \$3,000,000 is in cash and government bonds.

**MACHINISTS:** Another stock-minded union is the International Association of Machinists. Eighty-five per cent of its \$12,000,000 investments is in U. S. and Canadian bonds, but 15 per cent is in stocks

approved, as required by the union constitution, by the Probate Court of the District of Columbia as suitable investments for trust funds. The union has cash of more than \$1,200,000 and is paying in cash, monthly, for a new \$2,500,000 headquarters under construction in Washington.

These unions, while rich, are less interested in stocks:

**ILGWU:** The International Ladies Garment Workers has most of the \$166,000,000 owned by the international and local unions in U. S. government bonds. These are mostly welfare fund reserves. It has \$15,000,000 in a 4.5 per cent mortgage on a cooperative housing and slum clearance project and \$5,000,000 in government-insured savings and loan associations.

**CLOTHING WORKERS:** The Amalgamated Clothing Workers is worth more than \$250,000,000. It controls eight insurance funds and two insurance companies with reserves of \$108,000,000; two banks worth \$90,000,000, and housing developments valued at \$23,000,000. In addition, with the joint boards and locals, the union has \$23,000,000 in cash and bonds and \$10,000,000 invested in properties of various kinds.

**LOCOMOTIVE FIREMEN:** The Brotherhood of Locomotive Firemen and Enginemen realized \$1,012,595 last year from these investments: \$12,300,000 in U. S. bonds, \$6,700,000 in state and municipal bonds, \$4,300,000 in public utility holdings, and \$9,800,000 in Canadian government securities.

**RAILROAD TRAINMEN:** The Brotherhood of Railroad Trainmen has most of its \$50,500,000 insurance reserves in U. S. and Canadian bonds and in utilities. It has a treasury of more than \$3,000,000.

**LOCOMOTIVE ENGINEERS:** The Brotherhood of Locomotive Engineers operates an insurance company with reserves of \$21,000,000 invested in U. S. and Canadian bonds and FHA mortgages. It also owns, in Cleveland, two large office buildings and an apartment hotel which was struck a few years ago.

**AUTOMOBILE WORKERS:** The United Automobile Workers has assets of \$20,400,000 with \$2,300,000 in cash and \$12,600,000 invested as follows: Government bonds, \$11,900,000; Canadian bonds, \$240,000, and General Motors Acceptance Corp. bonds, \$400,000.

**STEEL WORKERS:** Of United Steelworkers' assets of \$17,000,000, \$11,250,000 is in investment securities and \$3,800,000 in cash. The investments are all government bonds except for token shares of stock in each company with which the union bargains.

END

## **GIVE INDIANS A CHANCE**

*continued from page 42*

Indian workers. North American Aviation, Inc., of Los Angeles, which took some of our first relocates, has steadily increased the number to about 350.

The Indian family gets help in finding a place to live, sending the children to school, in shopping for food, clothing and other items. In each city with a relocation office, public-spirited citizens have formed a committee to help our personnel make the Indian and his family feel at home. An All-Tribes Indian Cen-

ter serves as a place for getting acquainted, for recreation and social good times.

Expense of this project has been amazingly small—only about \$226 per person for financial assistance, including transportation and other necessary items, to bring the Indian and his new job together, and for administrative costs. Once located, he is on his own. A great majority—about 70 per cent—become adjusted and make good. Of those who get homesick and return to the reservation, many soon return to work. Steadily, the program is drawing into good jobs many who otherwise would be idle. Thus it has a double value: It takes the Indian out of the class of special service beneficiary.

and it brings to American industry and labor a new and valuable recruit.

This is the second prong of our attack upon Indian poverty and idleness. One possibility lies in the better use of Indian lands. Irrigation can bring some of these lands into full productive use. Soil and moisture conservation can increase crop yield per acre.

In keeping with our policy of progressively getting the government out of the Indian business, the program of guidance to Indian farmers is being gradually shifted to the Department of Agriculture and the land-grant colleges. This means that the Extension Service will expand its work to include reservation Indians.

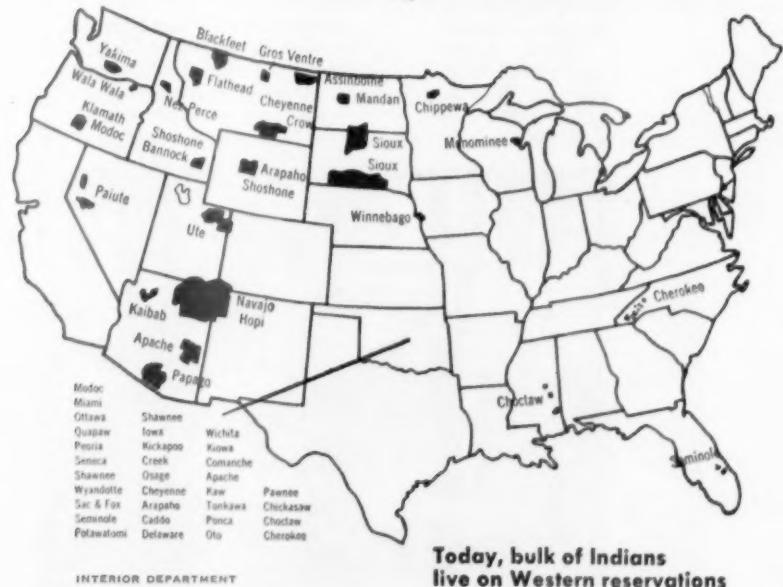
An example of the success of this plan may be seen in Oklahoma where, in 1951, the Extension Service took over agricultural services to the Indians in five counties, and has since taken over all extension work. In the first five counties, a total of 18,805 Indian families, 6,930 on farms, were served. Now a home demonstration agent in each county gives instruction to individual families, and particularly to Indian mothers, on canning, gardening, sanitation, clothing and home improvement problems.

Shawnee Brown, a Cherokee, director of the Extension Service at Oklahoma A. & M. College, says: "We can already see many definite indications that agricultural service to our Indian families, which has been integrated with our regular extension service, has substantially improved the lot of the Indian people."

We are also moving to get many tracts of reservation lands back into the hands of Indians who want to farm or ranch. At present, few Indians till the soil held in trust for them. On the Sioux reservations of South Dakota, only about 40 per cent of the Indian land is being used by Indians. On the Blackfeet and Fort Peck reservations in Montana, the percentage is even less. Many Indians find it easy to lease their lands to white neighbors and receive rent money through the Bureau.

"Fractionated heirships" offer another problem. Almost half of the 115,000 tracts of allotted land in federal trusteeship are now owned by two or more heirs of the original allottees. In many cases, scores of heirs own a fractionated interest in one tract. As a result, much Indian land is not being effectively used. Yet the job of probating these estates, managing the lands and distributing the proceeds is a tremen-

## INDIANS IN AMERICA





*City brave shows ancient skill*

## **GIVE INDIANS A CHANCE** *continued*

dous administrative burden to the Bureau. Reports from the field tell of payments to heirs of Indian lands down to such small fractions of the income that the costs of bookkeeping and making out the checks total many times what the payments are worth.

We are engaged in research to determine the best ways to keep these lands in Indian ownership and make them productive. Plans are being considered to permit tribal members who want to go into the livestock business to buy up such allotments and consolidate them into larger and more economic units. Our aim is to give younger Indians a chance they have not had to raise livestock on a truly profitable basis.

A significant statement of policy was made by the Eighty-third Congress, in a concurrent resolution which was passed unanimously:

"It is the policy of Congress, as rapidly as possible, to make the Indians within the territorial limits of the United States subject to the same laws and entitled to the same privileges and responsibilities as are applicable to other citizens."

In keeping with this resolution, we consulted with officials and the Indians themselves, and helped to pre-

pare legislation that resulted in ending trusteeship for six groups of Indians: the Klamaths of Oregon, the Menominees of Wisconsin, several bands of Paiutes in Utah, the mixed-bloods of the Uintah-Ouray reservation in Utah, several small bands in western Oregon, and the Alabama-Coushattas of Texas—the latter are being transferred at their request from federal to state supervision.

We are now considering plans to end trusteeship for members of tribes in several other states where we have been carrying on active consultations.

### **3. Developing job opportunities in the home areas**

Besides those Indians who want to relocate in cities and those who want to stay with their soil, all other Indian citizens can and should be brought into our pool of productive labor.

There are today very few industries or other payroll enterprises of the nonfarming type around most Indian reservations. Yet these areas hold many promising opportunities for additional economic development.

There are great stands of timber upon some reservations, such as the Klamath in Oregon. There are oil and gas resources for others. Stone and other building materials are available on others, such as the areas of the Navajos, Hopis, Apaches, and the Pueblos. There is surplus manpower on most reservations. All this adds up to a challenge to help create new employment and lift standards of living for many Indian families.

But we need accurate information showing just what the possibilities are and where they exist. This calls for practical and realistic surveys made by people of experience in this type of economic analysis. This task

is too big for the government alone. We need help from private organizations and public-spirited citizens.

Accordingly, I have interested some of the country's outstanding private foundations in a series of surveys of Indian communities. Five prominent Americans are serving as a nonprofit corporation to receive grants from the foundations to finance the surveys. They are: David T. Beals, chairman of the board, First National Bank, Kansas City, who serves as chairman; Laurence F. Lee, the former president of the Chamber of Commerce of the United States, Jacksonville; Dr. Clyde Kluckhohn of Harvard University; William Given, chairman of the board of American Brake-shoe Company; and Roswell Magill, New York attorney and former Undersecretary of the Treasury.

"We hope that the data assembled will encourage new industries to locate in Indian communities, and thus turn local resources into employment and regular pay checks for Indian families," says Mr. Beals.

Our whole plan of Indian betterment calls for trained workers, whether in cities and towns, on the reservation soil or in new plants. Illiteracy has long been a roadblock against employment of Indians. Now we have begun a program of education designed to teach every young Indian to speak the language of his country—in addition to any tribal language he may know; gradually to eliminate segregated Indian schools and provide minimum schooling for every Indian youth, and to emphasize training in vocations and skills.

"Every Indian prepared to get and hold a job" is our ambitious, but realistic, purpose.

Hand in hand with this ideal is the constant aim of bringing the Indian into full rights and responsibilities of citizenship. No man or woman, of whatever race, can do his

*Physical examinations are part of relocation center help*



or her best work carrying the brand of racial discrimination. The last Congress eliminated several conditions of inequality by permitting Indians to buy and sell firearms and implements of husbandry as other citizens, and did away with the old prohibition against sale of liquor to Indians off the reservations.

Congress also delegated the enforcement of law and order in Indian communities, long under the federal government and tribal courts, to state and local officials in Wisconsin, Minnesota, Nebraska, Oregon, and California. The legislation also authorized all other states with Indian populations to assume this jurisdiction by action of their legislatures.

What will the taxpayers gain from this program? An official of North American Aviation, Inc., recently told me that the income taxes paid by the 350 relocated Indians since employment with his firm total more than \$24,000. The growth in local industry and trade of all kinds, with the development of resources and more jobs, is incalculable.

Education is one of the biggest single costs of the Indian Bureau. For most reservation children in the past, federal Indian schools have been necessary. Now we are gradually replacing these with public schools. This will not reduce costs, but with the parallel gradual elimination of trusteeship over Indian lands, those lands will begin to produce state and local taxes, which contribute to education. The same may be said of enforcement of law and order.

Personnel devoted to health services for Indians make up about one-fourth of our Bureau employees. On July 1 this year this activity will shift to the U. S. Public Health Service. As with the agricultural guidance, better and more economical service to the Indians will result.

Let me emphasize that our program is planned and will be carried out with strict regard for the rights and the welfare of the Indians. We are dealing with human beings and human values. No Indians will be forced off their reservations. All the existing treaty rights granted their ancestors will be carefully respected. Rights to oil and minerals will be fully safeguarded. Older fullbloods and any incompetents will be given special protection.

I am convinced that whatever progress the Indian makes, all that is good in his tribal culture can be preserved. With equal opportunity for employment the Indian will contribute an even greater share of this rich heritage to the building of a greater America.

END



## I Got An Extra Three Weeks' Vacation Last Year...

"Sometimes the pressure gets pretty bad in my business . . . as it does in many others, I suppose. But, I've learned a little trick that gives me occasional 'breaks' away from it all —one and two day vacations that let me rest up and come back strong.

"My secret is traveling by Pullman! Pullman turns each of my business trips into *little vacations*. Pleasant hours of complete relaxation! Good food, freshly cooked and served hot whenever you want it! And, of course, I enjoy the good fellowship and pleasant refreshments of the club car.

"All together, my Pullman trips gave me about 3 *extra weeks* of vacation last year. After each one, I'd arrive in town with a good night's sleep behind me . . . refreshed and ready to do a real job."

You're safe and sure when you travel by



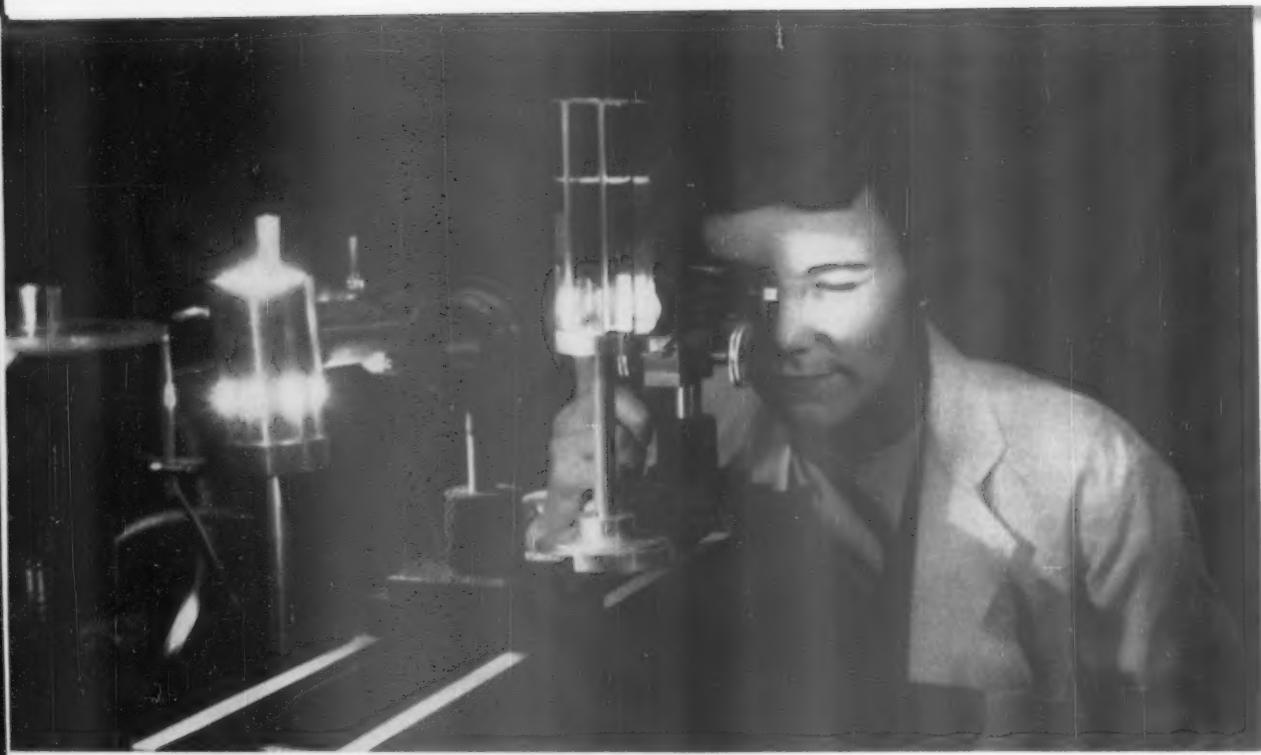
**No highway hazards** or weather worry for you! Pullman leaves and arrives in the heart of town, regardless of the weather.



**Privacy!** In the peace and quiet of your own Pullman room, you can enjoy your rest in secluded comfort.

**Pullman**

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ROTKIN FOR UPJOHN

## Industry will need: **2,000,000 MORE WOMEN**

Economy's growth, technical labor shortages and population changes will give women bigger role by 1960

By PAUL HENCKE

IN THE NEXT five years America will have to recruit 2,000,000 more women for jobs in its shops, plants and offices.

Approximately 20,000,000 women, or about 30 per cent of the civilian labor force, are at work today. The U. S. Bureau of the Census predicts that the number of women employed will reach 21,963,000 by 1960 and 29,395,000 by 1975.

Economists and labor force experts say the demand for additional women workers will be an outgrowth of continued expansion in the nation's economy, critical labor shortages in certain technical jobs, and changes in our over-all population structure.

Automation will satisfy some of this hunger for workers, but other steps, including increased use of womanpower, will have to be taken.

Secretary of Labor James P. Mitchell indicated the scope of this approaching demand in a recent speech. Mr. Mitchell said: "The demand for women's services has been

growing rapidly. It will continue to grow. Women will be asked in the future to fill new jobs—jobs they have little opportunity of obtaining today. It is our duty to plan now for the wise use of woman-power in the future. In this respect we must remember that besides the 20,000,000 women now at work, an estimated additional 11,000,000 women between the ages of 18 and 64 are available for work, if our economy has to expand in a hurry."

The new jobs to which the Secretary of Labor referred require many technical skills in which the nation already is dangerously deficient. The shortage of technically trained women has been cited by U. S. scientists as one reason why this nation is losing its scientific manpower advantage to Russia.

Firms employing women for the first time will discover that some large-scale adjustments are necessary.

Employment of women, especially in manufacturing, can bring problems of adjustment in personnel relations, plant-layout, safety, train-

ing, productivity schedules and other aspects of operation. Some of these will be solved more easily if employers understand why women go to work. Eight out of every ten girls, at the completion of their schooling, enter the labor market.

Dr. Florence D. Kluckhohn, of the Harvard University Laboratory of Social Relations, says that ours is a society geared to work. Women sense the fact that the economy is the exciting part of our national life and from this awareness comes their desire to participate in and become a part of the nation's most vital activity—business.

Circumstances also play a major role in sending women to the office and factory. Many women who work do so because of a crisis at home—death of a husband, death of a father, incapacitating injury to a male breadwinner. Women head nearly 4,000,000 families—about a tenth of all U. S. family groups.

Another factor is a softening in the attitude of business toward married women. Bearing and raising children are becoming less impor-

tant as bars to employment. In future years, says Dr. Eli Ginzberg, director of research for the National Manpower Council, women will probably stay out of the labor force only while their children are small.

The fact that one sixth to one fifth of the total number of married couples do not have children also operates to keep women at work.

Frequently, too, the woman seeking employment will be older (meaning between 35 and 65). Having married young, she now finds her children at an age of self-reliance and wants to return to business or to try it for the first time. New York State's Labor Department Employment Service has set up a program of refresher training for such women. The method is held up as a model for other communities to follow.

However, even with the most careful preparation, some problems—such as absenteeism—defy easy solution. A study by the Cornell University Medical Center of the New York Telephone Company's 50,000 female and 25,000 male employees revealed that the absentee rate for women is approximately twice that of men, although women generally enjoy better health and live longer.

But whatever problems they bring, women have already demonstrated their abilities as workers. Women are believed to be at work in all of the 446 occupations classified by the federal government.

These include many occupational fields formerly considered to be the exclusive province of the male, among them: engineering, shop and factory management, medical technology, electronics research—even the male world of the test pilot.

In one area, retailing, woman's progress has been sensational. The National Retail Dry Goods Association reports that women hold 46 per cent of all retail executive positions. The figure is significant because the first organized efforts to train women for work in retailing were made only 50 years ago.

Women also have top-level jobs in banking and advertising. They dominate a sizable chunk of the journalistic profession and such traditionally female fields as teaching and nursing. In Cleveland the woman president of a bank run wholly by women also serves as a municipal court judge. In St. Petersburg, Fla., a large savings and loan association is completely owned and operated by women.

Almost any American city can point to an impressive roster of local businesswomen, and opportunities are constantly increasing.

As listed by Dr. Irving H. Siegel of the Council of Economic Advisers,

the fields where opportunity is expanding most rapidly include:

1. Teaching in primary and secondary schools (especially mathematics and science);
2. Nursing, physical therapy and other paramedical occupations;
3. Atomic medicine (including the administration of radioisotopes and protection and treatment of industrial, laboratory and other workers);
4. Pediatric and geriatric medicine (as the age distribution of the population changes);
5. Public health (including control of air and water pollution);
6. Psychiatric medicine (as the mental health problem becomes recognized as urgent);
7. Research in medicine and the life sciences;
8. Manual and mechanical office work incident to the growth of voluntary prepayment health plans, industrial pension plans, etc.;
9. Social work (including a new emphasis on juvenile delinquency);
10. Television and other entertainment;
11. Sale and management of real estate;
12. Sale of children's and infants' wear;
13. Tourism and staffing of resorts; and
14. State and local government (including progress from PTA and community political experience to candidacy for elective office).

In the final analysis, the future of the working woman will be largely what she makes it. If she continues to seek a greater share of the responsibility and power, she may have to pay the price which the male often pays for his status—hypertension, ulcers, anxiety arising from job competition.

Some of her most enthusiastic boosters (including other women) seriously wonder if she has that extra something—that added drive—needed to take her to the top in business and keep her there.

One thing is clear: Our woman-power resource is a precious national asset, in war or peace. Of it, Mrs. Alice K. Leopold, assistant to the Secretary of Labor for Women's Affairs, has said:

"We are departing from the traditional undervaluation of women. We recognize that both men and women have something to contribute; that each has his or her special talents; each can excel; neither should be ignored or cast aside."

END



LARRY FRIED-PIX

► "MAN the insider resents woman the outsider. He is afraid of the newcomer—in this case the woman in business—and what she may do to his own established order.

"A common charge against women in business is that they don't want to get ahead. This is superficially true, but no more true of women than men. How many people want to get ahead? How many people are actually ambitious?

"An ambitious woman placed in a routine job with no particular future or chance of advancement will naturally become disinterested and bored. If we place the same woman in work where she is given responsibility and must be depended on to take care of her responsibility, she will succeed. In a business and industrial climate that cries for leadership, some way must be found to develop new leaders from the very large reserve pool of woman power that is now almost entirely unrecognized."—From a speech by W. H. SEYMOUR, Vice President and Manager, Loss Prevention Department, Liberty Mutual Insurance Company, Boston

# Heat and eat meals

## BOOST FROZEN FOOD SALES

A NEW product that is variously called "convenience foods," "heat-and-eat meals," or "TV dinners" has helped to swell the frozen food industry's annual retail sales to \$1,500,000,000.

The public bought 120,000,000 pounds of these new foods last year.

More than 350 such products are now on the market. They include:

**1. Complete dinners.** Pioneered by Frigidinners, and put on a volume basis by C. A. Swanson and Sons, complete heat-and-eat dinners were an instant success. A number of other well known names are ready to enter this field—Birds Eye, Minute Maid, Libby, Armour. By the end of 1955 some 25 processors are expected to be turning out prepared dinners at the rate of 35,000,000 a year.

**2. "Sticks."** Sales of frozen fish sticks exploded from 8,000,000 pounds in 1953 to 50,000,000 in 1954—may climb to 75,000,000 this year.

**3. Pies.** More than 100,000,000 pounds of meat pies (chicken, beef, tuna) were sold last year, plus about 35,000,000 pounds of fruit pies (apple, berry, cherry, etc.). Sales are expected to double this year. The trend is toward the smaller 6- and 8-ounce sizes.

**4. Soups.** In the spring of 1954 Campbell's soups edged into this field in Philadelphia. The immediate response to oyster stew, cream of shrimp, cream of potato, and other new flavors was astonishing. Campbell's now has six flavors on the market and plans to add to the list. A dozen other soup processors have jumped on the frozen-soup bandwagon.

**5. Specialty items.** The wide variety of frozen food products ready to be popped into the oven is growing so rapidly that a listing becomes out of date as soon as compiled. Quaker Oats, after a test campaign, believes it has as hot an item as frozen soups in its new frozen Aunt Jemima pancakes. Frozen milk has been developed at Iowa State College.

In a survey of 2,500 housewives, almost 30 per cent said they had tried frozen dinners; and of those who hadn't, about half said they intended to do so in the near future. Frozen turkey dinners topped the list of food items tried, followed by chicken, pot roast and chipped steak. Most of them had also tried frozen fish.

Schools, restaurants, hotels and motels, industrial cafeterias, hospitals and prisons offer other opportunities for heat-and-eat foods. The institutional food field is a \$16,000,000,000 a year business in which 70,000,000 meals a day are served—representing nearly one-fourth of America's food bill.

Of every dollar spent in a commercial restaurant,

45 cents goes for the food itself, eight cents for labor in the kitchen, 24 cents for getting it on the table. Thus food costs and payrolls together account for 77 cents of every dollar taken in. If this figure can be cut, substantial savings are possible.

A spokesman for the Eastern Frosted Foods Association says that the institutional trade is spending \$350,000,000 for all kinds of frosted foods—and that this total, swelled by ready-to-eat items, should go much higher soon.

Despite what the National Association of Frozen Food Packers calls "the rosy outlook for 1955," the ready-to-eat food business has its problems. Hand-in-hand with expansion and profits go some king-sized headaches:

**1. Storage and display space.** This is the industry's No. 1 bottleneck. Although there are 350,000 frozen food cabinets in American grocery stores, twice this number could be utilized tomorrow. According to a recent study, only 40 per cent of retail stores have zero space for storage in the back room.

The northeastern region, with 28 per cent of the population, shows the highest per capita consumption of frozen foods and most storage space.

**2. Too many brands.** A bewildering number of brand names confuses the public, and has led to price wars.

**3. Handling practices.** Standard practices for handling have not been worked out. Truckers, storage men, and clerks all have to be trained.

**4. Cost accounting.** This problem affects both packers and distributors. The National Association of Frozen Food Packers has completed a manual which outlines in detail a recommended cost accounting system. A similar manual is now being prepared for distributors.

**5. Transportation.** Equipment is in short supply—both rail and motor carrier. At present some 615 mechanical refrigerator railroad cars are in use and 511 more are being built; less satisfactory but also usable are some 32,304 fan and dry ice refrigerator cars. About 6,820 over-the-road trailers are in use.

**6. Promotion.** The full, dramatic story of prepared frozen foods, many in the industry are convinced, has not yet been brought before the American public. The Florida Citrus Commission thinks enough of this particular phase of the frozen food market this year to put \$3,500,000 into advertising.

But in spite of its problems, the future of prepared frozen foods is exceedingly bright, with a predicted 450,000,000 pounds to be sold during 1955—three and one half times that of 1954. "I am firmly convinced that the frozen food industry stands on the threshold of a great era," says Curtis C. Rogers of the Market Research Corporation of America, who makes this forecast on the basis that by 1960 the United States will have: 1, 15,000,000 more people; 2, larger families; 3, more older and more younger people; and 4, more money to spend—with the greatest increase in the middle income brackets.—ANDREW HAMILTON

**GROW BIG***Continued from page 31*

Next, he equipped his leftover heaters with some smaller fans that pushed the hot air out slowly enough for a person to feel the heat near its source. A small red electric light was concealed within the heater. That went on when the unit was in action, giving a cozy, fire-like glow. The firm sold 40,000 heaters in 1949. The heaters and inexpensive fans were in addition to the regular Vornado fan sales. Thus, the firm's losses were whittled down to less than \$100,000 when the fiscal year closed Nov. 30.

Without this recoup, Mr. Sutton would probably have gone broke. His working capital at the time was only about \$300,000, which for several years was turned over every 12 days to two weeks. In fact, his capital was never more than \$400,000 until last year when he incorporated and sold 400,000 shares of stock at \$12 each. Now Mr. Sutton, who had been sole owner of the firm, has 3,246 stockholders located in 42 states and four foreign countries. He says he incorporated mainly because his company was getting too big for one man to own, finance and operate.

The firm put in its own electric motor plant two or three years ago. It now turns out 2,200 motors a day.

Five years ago Mr. Sutton began to invest in oil lands as a hobby. Last year he struck it rich. Oil reserves estimated conservatively at 8,000,000 barrels were discovered in one field he owns near Wichita. It was one of the largest oil finds in Kansas in recent years. All these things have caused some people to remark that Mr. Sutton is one of the luckiest men alive.

He says he doesn't consider himself particularly lucky or smart. He thinks persistent a better term.

"Anybody who makes a notable success in business or in manufacturing or in oil these days has got to be an individualist," he said. "Individualists take chances and they make a lot of mistakes. But an individualist in business will see to it that he gets to bat a lot—that he is exposed as often as possible to an opportunity to make a right move.

"I have made a lot of mistakes in running my company and I dug a lot of dry holes in the oil business before I finally hit. They used to call me Dry Hole Sutton, but people have forgotten that now. When you start making hits, people begin to forget those times when you struck out.

"And I guess that is about the answer to how I happened to get ahead," Mr. Sutton concluded. "I got to bat a lot."

END



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# COPPER: less pinch in '56

**Domestic and foreign production expansion should ease tight copper supply caused by sustained military and civilian demand**

By HERBERT HARRIS

DEMAND FOR copper has been among the surest indicators of U. S. business trends for the first 50 years of this century. In the depression depth of 1933, for example, copper's price was down to the all-time low of 4.9 cents a pound, while consumption declined to the worst showing in a generation, or less than five pounds per capita. But in 1948, at the height of the postwar replenishment boom, copper had swung up to 23.5 cents a pound while consumption surged to 19 pounds per capita.

Copper has been so mingled with business expansion and contraction, with inflation, deflation, and reflation, that some investment analysts regard sales of this metal as the best barometer of our economic weather.

Over the past four years, however, copper—although still crucially important—has become slightly less indispensable than in former days, and is therefore slightly less conclusive as a gauge and guide for business activity.

It is still superior to any other metal (except silver) however, in ability to conduct electricity. In resisting corrosion it is outstanding on land, sea, or in the air. Uncommonly ductile, it can be hot and cold worked, hammered, soldered, twisted, rolled, and stretched into an endless variety of shapes and sizes without losing tensile strength. It is virtually indestructible, with a use-cycle average of four decades and then 60 per cent of it is recovered from such scrap as worn-out faucets, damaged ship propellers and discarded bric-a-brac. It combines

readily with zinc to form brass, with tin to form bronze, and displays a high affinity for lead, nickel, beryllium and other metals.

These properties make it an essential material for the electrical equipment industries (generators, motors) and electric light and power plants (turbines, cables, wires) which together take about 21 per cent of all U. S. copper deliveries, with an added ten per cent going into communications (telephone and telegraph systems, radio and TV networks and sets). Air conditioning, a recent bonanza for copper, is claiming about seven per cent; railroads, 3.5 per cent (mainly for bearings) and scientific, dental, surgical and nautical instruments, three per cent. An estimated 11 per cent of copper output is earmarked for defense materiel.

Since copper is usually "invisible"—that is, concealed as a part of a part—or merged with an alloy, few motorists are aware that the average passenger car contains 40 pounds of copper from radiator core to undercoating for chrome as the automobile industry continues to siphon off nine per cent of the copper supply. Building construction accounts for another 12 per cent in plumbing fixtures, electrical wiring, gutters, hinges, doorlocks, elevator worm boxes (Radio City harbors 10,000,000 pounds of copper). The remaining 23.5 per cent of copper's miscellaneous applications are incredibly diverse. They include jigs and dies, tools and machinery for factory and farm, tympani, electrolyte, fungicides and the ubiquitous Franklin cent, designed by Ben-

jamin Franklin as the first currency to be minted in the United States, and more popularly known as a penny.

The Statue of Liberty, of course, consists primarily of copper plates riveted together. The cyclotron at the Argonne Atomic Laboratory has some 4½ miles of copper tubing. And a copper "barrel," 3½ inches in diameter and 220 feet long, is a central mechanism of the new atom "gun" developed by Leland Stanford University's School of Medicine to treat cancer by "shooting" electrons at the speed of light. And at the opposite extreme, a Manhattan jewelry designer has whipped up a one piece smooth-finish copper belt for women, called the Contour Waistlet, for the carriage trade.

Despite copper's versatility, it has yet to meet its real competitive test in the light of recent advances in metallurgy. It is being challenged by aluminum, notably as a substitute in high tension transmission lines, by magnesium for casting, by vinyl and other plastics for strainers and screens, by glass for floats in toilets, by steel for switches.

But this competition, not yet too serious, is chiefly confined to the civilian side of our economy. On the military side, copper remains virtually supreme, and a frequent reason for uneasiness in Pentagon officials watching copper totals in our defense stockpile. Their concern is understandable. A new Sabre Jet requires 513 pounds of copper, a medium tank 800 pounds, a cruiser 1,000 tons. A 37 mm. antiaircraft gun in action spews up a ton of copper every 20 minutes, and a fighter-bomber squadron of 50 planes expels seven tons of copper in every 60 seconds of combat. Moreover, experiments in replacing brass (copper plus zinc) shell cases by those made of steel and aluminum, during the Korean fighting, worked out all right for howitzers, but not for heavier guns which often jammed. Only the brass cases could hold propellant, primer and projectile in alignment under the heat and pressure of constant rapid firing.

Security regulations necessarily surround the data on copper for the latest supersensitized radar installations, guided missiles and other new weapons, but the amount they require is believed to be considerable.

When the government, during the Korean war, took charge of pricing and allocating copper, the resulting stringencies fostered predictions that a copper shortage was here to stay. In some circles, this belief still per-



*Kennecott's Bingham Canyon, Utah, mine produces one third of U.S. copper, ten per cent of world supply*

sists. It has been strengthened by the recent tightness in the free world's supply of copper, induced mainly by strikes in the United States, Chile and Northern Rhodesia in the summer of 1954 and in the winter and spring of this year.

These shutdowns forced Britain, Western Germany, Italy, France, Belgium and The Netherlands to scrounge around in a frenzy for enough of the red metal to keep vital industries going. Copper quotations on the London Metals Exchange kept swooping up to a record 46 cents a pound, or 11 cents higher than the top U. S. figure. Allured by such price differentials, some smaller American dealers and speculators bought up a considerable quantity for sale abroad. But this export drain began to deprive U. S. industrial users, notably brass mills, foundries, wire and cable plants, of the copper they needed. Their managements appealed to the Administration for relief.

Last February, the U. S. Department of Commerce started to restrict overseas shipments of refined copper originating in the U. S., and also fixed quotas on sales of scrap to foreign customers. To ease the situation

further, the Office of Defense Mobilization diverted a total of 11,000 tons of copper from the defense stockpile during March, April, May and June.

Whether to retain or discard such measures is a question that will be reviewed by the Administration for the last two quarters of 1955, and perhaps even beyond.

The current austerity is one of spotty and often uncomfortable scarcities. However, no long-term drastic shortage is in sight—unless we get into a shooting war. In that case, the government would be compelled to clamp controls over 300 civilian items.

The definition of the word shortage can be very subjective. Some executives, for example, cannot obtain the amount of copper their firms require. Other executives have to pay the premium prices (five to six cents a pound extra) of a small but active gray market. So far as they are concerned, shortage can be a fighting word.

In any event, the copper deficiency should be largely overcome, if not ended, by the middle of 1956. From that point forward, and for the next 40 years (the outermost limits of informed projections), the outlook is

that copper will be adequate to meet normal needs—assuming that we continue substantially the same rate of economic expansion we have had since the end of World War II.

This does not imply that all is serene and beautiful about copper's prospects, but only that we are likely to cope successfully with the increasing number of complications—geologic, economic, strategic and political—to which copper is prone.

While 36 countries mine some copper, 85 per cent of the globe's deposits are concentrated in five major regions. In order of richness in reserves, they are:

- 1. Africa's Copper Belt of Northern Rhodesia and the Belgian Congo, as yet hardly tapped, with a current production of 19 per cent of the world's total of more than 3,000,000 tons.
- 2. Chile with 15 per cent.
- 3. The United States (Arizona, Utah, Montana, New Mexico, Nevada, Michigan) with 31 per cent.
- 4. The Soviet Union with 11 per cent.
- 5. Canada with nine per cent.

Even though we produce nearly a third of the world's copper, we con-

## COPPER *continued*

sume 48 per cent of it. Self-sufficient until 1939, when we were still exporting a fifth of our output, we have been shifting rapidly ever since from a surplus to a deficit position.

The scope of that deficit is underlined by the contrast between 1940, when we had to import a net of 133,000 tons, and 1954, when we had to import 374,000 tons to round out our total requirements of 1,235,000 tons over that period.

Since an abundant supply of copper is basic to national security, the government is seeking to stimulate new productive capacity by means of low interest loans for developmental work and equipment. It is also guaranteeing, through contracts let by the Defense Materials Procurement Agency (DMPA) a floor price, ranging from 22 to 32 cents a pound, for 23 new operations (six of them in Canada). Anything that the producer cannot sell on the open market the DMPA will buy for stockpiling purposes at a figure stipulated in advance and protected by escalator clauses to cover changes in cost.

Under this impetus, together with the natural growth of U.S. copper companies, we should be adding some 320,000 tons to productive capacity by the spring of 1957. Not all of this represents a net gain; some 70,000 tons will be replacement copper to compensate for depletion of existing sources. Nevertheless, the net increase should run up to 250,000 tons, bringing U.S. capacity to a new high of 1,200,000 tons a year within the next 30 months.

Over this same period, enlargement programs by copper producers in Chile, Canada, Northern Rhodesia and the Belgian Congo should release an added 100,000 tons annually for the U.S. market, raising to about 650,000 tons a year the amount we can expect to import.

As a result of domestic and foreign expansions, we should, in 1957, have a total aggregate of 1,850,000 tons (excluding scrap recovery) annually, or 25 per cent more than has been available over the past two years.

To deliver on the promise of such statistical forecasts will be easier for foreign than for domestic mining operations. A U.S. production rate of 1,200,000 tons a year for 1957 and beyond can be maintained only if the American copper industry goes all out to keep improving efficiency, to step up geophysical and other scientific explorations to uncover new reserves as old deposits are exhausted, to intensify research on chemical

salvage of copper from slag and sump wastes.

All this is necessary because the quality of American ores is getting progressively lean. In the early lush days of 1905, for example, the ore grade ran 2.5 per cent of copper. Today it is down to a national average of nine tenths per cent in contrast to 2.1 per cent in Chile and three to seven per cent in Africa's Copper Belt. Hence greater tonnages of ore rock have to be blasted, scooped, crushed, transported and treated to draw out their copper content. The amount of copper to be obtained from within the continental U.S. depends less upon our still copious endowment, even if in scattered and thin outcroppings, than upon two other considerations: the effectiveness with which modern technology can be applied both to open pit and underground mining, and a price which provides



profit incentives for extracting copper from low grade ores which appear to be the only kind we have left in profusion.

The price of copper is fickle and rarely satisfactory to anybody for very long. Never higher than 36 cents a pound in the United States, it has often varied six or seven cents within a year. No company, no cartel, no government (except in wartime), acting singly or in concert, has been able to stabilize that price for more than short intervals—at the most, two years. The reason is that copper is not only an international commodity, but a maverick that resists attempts to repeal the old law of supply and demand. Even though it conforms to that bookkeeper's fiction of a world price, the price of copper is subject to altogether too many influences to be long controlled, a situation exemplified by the U.S. copper industry.

That industry consists of 200 firms in mining, smelting, refining, fabricating, marketing. The majority are small or medium-sized, and some of these are lusty enterprises. However, about 75 per cent of the copper business is done by the Big Four: Kennecott, Phelps-Dodge, Anaconda, American Smelting & Refining, all vertically integrated, all competing against each other and everybody else. Even if they wanted to peg the price of copper,

the peculiarities of the industry would prevent it.

In the first place, copper is almost always a component, rather than an end product, except for housewares and a few other uses. It is, therefore, sensitive to shifts in demand on the part of its 60 major customers. It has to await their decisions before expanding plant or production. Copper is too expensive a material to be stocked in wire or ingot bars, billets, or cathodes for any length of time in large quantity. At today's price of 30 cents a pound, few firms are inclined to tie-up, for example, \$6,000,000 for 10,000 tons of copper inventory, plus warehouse overhead, especially since the price can drop almost overnight. But copper can be stored in the ground without carrying charges. When orders slacken, a mine can be shut down. On the other hand, reopening a mine is expensive, and is not done until market conditions justify it. Meanwhile, there is a time lag of 15 to 20 weeks between starting up operations in the mine, and the delivery of finished copper to the purchaser. In the interval a scarcity often develops; to overcome it, the mine is run full speed until a glut impends and prices weaken. Then the cycle begins to repeat itself all over again.

Contributing further to the instability of copper's price is the role performed by the custom smelter so named because it charges a toll for processing raw and scrap copper from all comers. The nature of smelting is such that money can be made only by continuous operations 24 hours a day, seven days a week; interruptions reduce and even wipe out profits. Hence, to insure a constant supply of copper to feed its furnaces, the smelting company buys at the prevailing price for resale after three months, the time required to run a batch through. To hedge its bet that the price will not go down in this 90 day period, it seeks to balance inflow with outflow by selling each day as much copper as it buys. At the first intimations of decline in demand, it shaves its selling price to attract purchasers. They, in turn, look upon this jiggle as a sign that the entire level of copper prices will sag; they tend to sit on their hands, accelerating the downward spiral.

If all this weren't enough, the price of copper is also effected by all the vagaries of imports, notably those from Chile where Anaconda and Kennecott own fabulous mines in the Andes. The Chilean government obtains 52 per cent of its income from copper produced by U.S.

corporations within Chile's borders. When in February, 1953, the U.S. government decontrolled the price of copper, it swiftly went up from 24.5 cents to 27.5 cents, 28.5 cents, and 32 cents a pound. But Chile's Minister of Finance thought he could hold the price of Chilean copper to the 35 cents a pound (f.o.b. Chilean ports) which had been in effect since June, 1952. The Central Bank of Chile took over all Chilean marketing.

It informed Anaconda and Kennecott that they would receive about 23 cents per pound, while the Chilean government would retain the 12.5 cent difference which, at a production rate of from 30,000 to 60,000 tons a month, would have been a not inconsiderable revenue.

However, Chile's high priced copper found few takers. From the spring of 1953 to early 1954, U.S. copper customers were buying on a hand-to-mouth basis, waiting to see which way the recession was going. Chile's copper backlog mounted, reaching 184,000 tons, and mines had to curtail operations.

Dopesters kept saying that Chile, in desperation, would soon dump its accumulations at a panic price, depressing copper quotations in all the world's metal exchanges. This was averted by a confluence of three pieces of good luck for Chile. In March, 1954, the Eisenhower Administration, partly as a Good Neighbor gesture, offered to buy for our defense stockpile 100,000 tons of Chilean copper at a delivered price of 30 cents a pound. In a mood of realism, Chile accepted. Shortly thereafter, a spurt of new electrical construction in Italy and West Germany enabled Chile to dispose of another 50,000 tons. The remaining 34,000 tons have been traded off in such barter deals as copper for Brazilian coffee and German machinery.

More recently, however, Chile—seeking to exploit a sellers' market—has been asking 37 cents a pound for copper mined within its borders. Elsewhere the price has been averaging from two to four cents less per pound—ever since last April when the British government released 45,000 tons of copper from its stocks, depressing prices in European marts.

Despite these and other unpredictables which shape the price of copper, and despite the competition of substitutes, the industry's management is extremely confident about the future of their commodity. History supports their attitude. After all, no other metal has been used by mankind for 20,000 years.

END

## American Credit Insurance AND *THE CASE OF THE BULK SALE*

THIS is an illustration of how the fast working of American Credit's service can save clients much time and money, and prevent entanglements in red tape. While the case may not be of a type that has ever occurred in your own operations, it is of a sort that does happen fairly often—and so concerns all companies, large and small.

The policyholder, a chemical concern doing a gross of approximately one million dollars, was adequately covered under a general coverage policy. To all appearances, everything was proceeding normally on all of its customer accounts. In the case of one of these, however, what might have proved serious trouble was about to develop. This particular customer, a chemical wholesaler, was covered under the policy to a limit of ten thousand dollars. Actual outstanding at the time was only slightly over eight thousand—thirty-six hundred of which was in the form of a Trade Acceptance.

When the Trade Acceptance was presented for payment in the normal manner, it was dishonored. Conternation! What could have happened? The customer was a long established firm of excellent reputation. Yet . . . The account was immediately filed with American Credit as a past due item, and our Service Department went to work. Almost simultaneously, notice was received that an outside concern had purchased the customer's assets. Our attorneys conferred with attorneys for both the original owner and the purchaser. It developed that due to an oversight in the confusion of transfer, notice to the policyholder had not been given in compliance with the Bulk Sales Law.

Despite the existence of an affidavit from the seller of no indebtedness, the purchaser acknowledged his liability, and agreed to pay the entire claim at once. Collection in full was made on the seventh day after filing of the claim, and the cost to our client was—nil.

Whatever the nature or size of your own business, you will find new assurance in all dealings when you know that your accounts receivable are protected at least as well as your plant, your product inventory, and your goods in transit. For your copy of a new booklet: "Credit Insurance, Its History and Functions," write Department 41, First National Bank Building, Baltimore 2, Maryland.

## American Credit Indemnity Company of New York



*Mr. MacArthur says his boss dislikes yes men, expects candid advice from those who work for him*

## TROUBLE SHOOTER

*Continued from page 35*

General Gruenthal said recently, "General Eisenhower grew to trust him implicitly and to rely heavily on his judgment."

Shortly after General Eisenhower was elected President, Mr. MacArthur was called home from Europe to be Counselor of the State Department. There is no doubt that he was the President's personal choice for the post; at the time of his appointment he had met Mr. Dulles only once.

The Counselor is not, as some people think, the State Department's chief legal officer. He is precisely what the title implies—a man who gives top-level advice and counsel to the Secretary of State. On the Department's organizational chart, the office ranks below the two deputy undersecretaries of state and above the eight assistant secretaries. Actually, the Counselor's influence on foreign policy may be much greater than that of the deputy undersecretaries. These officials are heavily burdened with administrative duties, whereas he is deliberately freed from routine responsibilities to devote his full attention to major current projects and policy decisions. Mr. MacArthur's predecessor in the post was Charles E. Bohlen, now Ambassador to Russia. Mr. Bohlen's predecessor was George F. Kennan.

Both Mr. Bohlen and Mr. Kennan operated primarily as heavy-duty

thinkers and as experts on Russia. Mr. MacArthur has taken on, in addition to the Counselor's traditional advisory role, many of the operational functions of ambassador-at-large, a post formerly held by Philip C. Jessup and now vacant.

It was in this latter capacity, for example, that he took charge last year of preparations for the Manila Conference at which the Southeast Asia collective defense pact was signed. The fact that this conference went off without a serious hitch and produced a treaty which is now regarded as a keystone of the free world's defenses against Red China's imperialism is testimony to his skill in the unromantic but important work that diplomats call "coordinating."

Coordinating is gobbledegook for two of the essential tasks of diplomacy: 1, ironing out as many differences as possible before the formal negotiations begin; and 2, making sure that our foreign policy doesn't go off half-cocked out of ignorance of how the other fellow feels.

In these intramural negotiations Mr. MacArthur is careful never to gloss over any differences that crop up. He feels that it is his job not to bury conflicting viewpoints but to pinpoint the exact areas of disagreement. This gives the Secretary of State, and if necessary the President, an accurate picture of the choices and consequences involved in executive decisions. It also insures that any official or agency whose position is overruled will recognize the fact and fall in line with the decided course of the government.

Once U. S. policy for the Manila Conference had been threshed out and a proposed draft of the treaty prepared, Mr. MacArthur began meeting informally and individually with Washington representatives of the other pact nations. This shirt-sleeves diplomacy began in July, nearly two months before the conference convened. In late August, Mr. MacArthur flew to Manila where an eight-nation working group proceeded to hammer out the actual terms of the treaty. By the time the foreign ministers arrived, virtually everything had been settled except the wording of the key clause committing the signatories to come to each other's aid in case of attack.

Here there were basic differences—some of the Asian nations wanted a more sweeping pledge than the United States was prepared to give. With lesser problems out of the way, the foreign ministers were able to agree on this clause in a couple of days, and the treaty was signed in

an impressive display of speed and harmony.

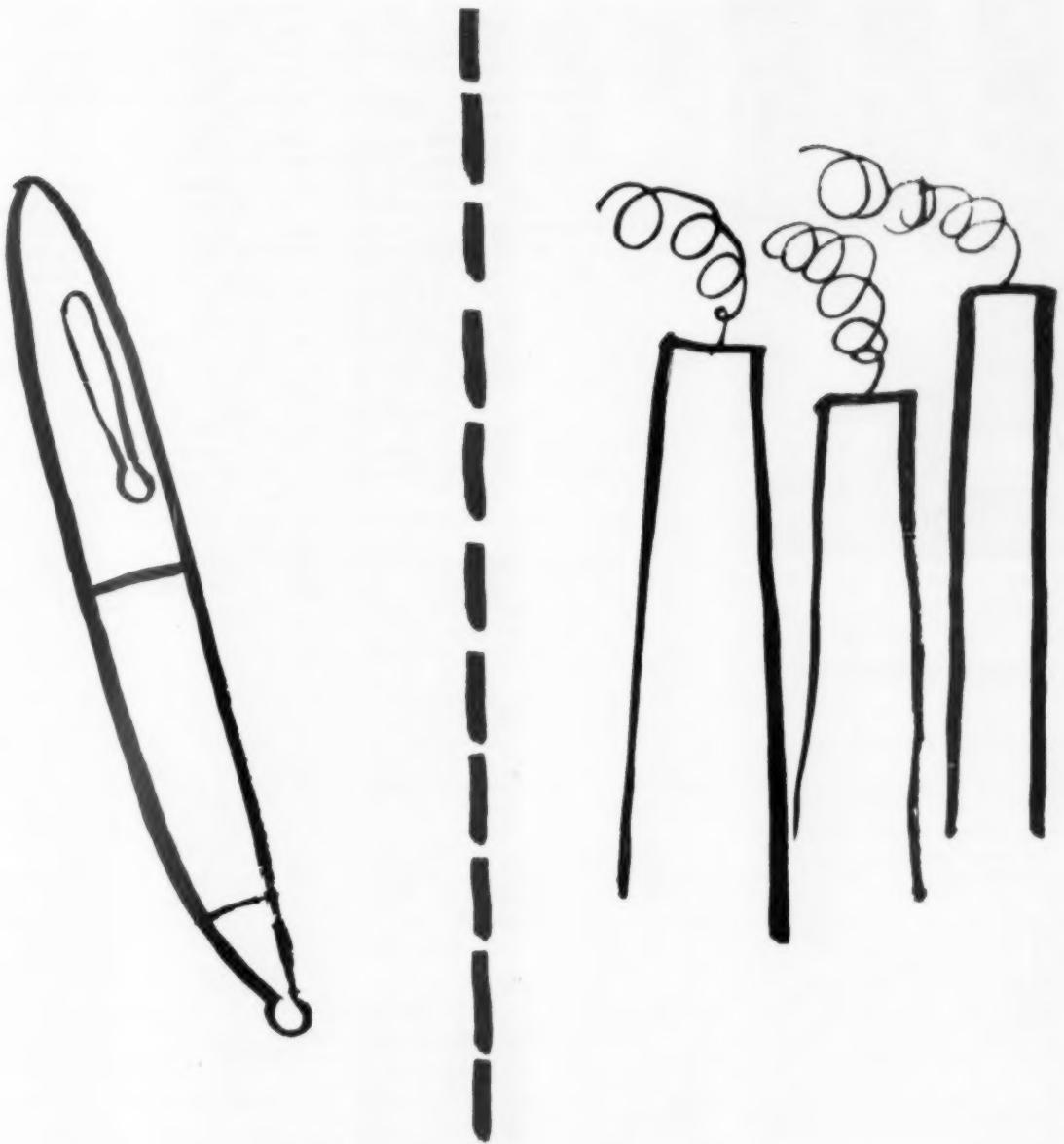
Although the Manila Pact was perhaps his greatest personal triumph, Mr. MacArthur played a similar advance man role in other major international conferences, including the December, 1953, Big Three meeting at Bermuda and the January, 1954, Big Four foreign ministers meeting in Berlin. He has been deeply involved in the preparations for the coming meeting at the summit since the first diplomatic feelers were put out early this spring. If Mr. Molotov throws a curve, Mr. MacArthur should be in a position to give Mr. Dulles a quick, whispered briefing on any previous consideration which U. S., British and French experts have given that matter.

Mr. MacArthur has found advising Mr. Dulles a highly nomadic occupation. The Secretary has a habit of ordering up his airplane and flying to wherever he thinks personal diplomacy may help settle a crisis. Usually Mr. MacArthur has to pack his bags in a hurry (his wife says they are never really unpacked) and roar away with his boss. Since he became Counselor in early 1953, Mr. MacArthur has logged approximately 168,000 miles of air travel, some of it on his own missions, but most often in the company of Mr. Dulles. He has made ten visits to Paris, four to London, three to Bonn, two each to Taipei and Manila, and one each to Rome, The Hague, Brussels, Luxembourg, Cairo, Tel Aviv, Jerusalem, Amman, Damascus, Beirut, Baghdad, Riyadh, Dhahran, New Delhi, Karachi, Istanbul, Ankara, Athens, Tripoli, Bermuda, Berlin, Geneva, Milan, Tokyo, Bangkok, Rangoon, Saigon, Phnom Penh, Vientiane, Ottawa and Vienna.

He winces, however, when someone suggests that he has seen a lot of the world at the taxpayers' expense. What he usually sees is the road between the airport and the U. S. Embassy, and the four walls of a conference room. From these vantage points, he has discovered, the landscapes of Paris and Phnom Penh are remarkably similar.

When he does get home to Washington, Mr. MacArthur earns his \$15,000 a year by putting in a 12-hour day, six-day week at the State Department with about half of his evenings requisitioned for official social occasions, and a good many Sunday afternoons devoted to conferences at Mr. Dulles' home.

His day begins at 6:45 a.m., when he goes to the study of his federal period house in Georgetown to read the *New York Times* and the Wash-



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*Counselor's job routine is hard. He reaches office at State about 8 a.m., works 12 hours a day*

## **TROUBLE SHOOTER**

*continued*

ington Post and Times-Herald while eating an unvarying breakfast of orange juice, melba toast and coffee. He usually gets to his office by 8 a.m. There he spends another hour reading the secret messages and diplomatic reports that have arrived overnight.

By 9:15, Mr. MacArthur is ready for the Secretary's daily staff conference. It often lasts from 45 minutes to an hour, and is attended by Mr. MacArthur, Mr. Hoover, Deputy Undersecretaries Loy Henderson and Robert D. Murphy, and the assistant secretaries. It is a key part of the formal machinery for making State Department policy on all current problems.

Mr. Dulles spent much of his adult life preparing for his present job, and he brought to it definite ideas about U. S. foreign policy. This fact, coupled with his far-ranging travels and his determination to conduct personally as many important negotiations as possible, has exposed him to the charge that he tries to run the State Department as a one-man show.

Mr. MacArthur, who has a high regard for Mr. Dulles, contends that the Secretary's daily staff meeting and other policy meetings on specific problems refute this allegation. He says Mr. Dulles demands candid advice from his subordinates and if one of his own pet ideas is vulnerable, "he wants it shot down in flames."

"In fact," Mr. MacArthur says, "I

have never known a man who so thoroughly exposes his thoughts and ideas to his advisers for honest opinions. He doesn't like yes men."

When the staff meeting adjourns, Mr. MacArthur returns to his office, but he is usually interrupted several times by telephone calls summoning him back to Mr. Dulles' office. If the call is urgent—and during periods of great international stress it often is—he barrels out of his office with the fleet-footed grace of a natural athlete who won his letter in football at Yale. But the time that he saves by good broken-field running down the corridor is usually lost when he arrives at the do-it-yourself private elevator that runs to the executive sanctum. In his impatience, he frequently stalls the mechanism entirely by jamming three or four buttons at once.

This streak of impatience appears to be a factor in what his associates identify as both his outstanding virtue and his chief handicap. On the good side, it is reflected in a hard-driving passion to get ahead with a project, and an almost ruthless dedication of time and energy to the problem at hand. On the debit side, it shows up in occasional outbursts of temper—which he himself deplores—and an inability at times to hide the fact that he does not suffer fools gladly.

It may also help to explain why, with Mr. MacArthur, as with his famous uncle, people tend to divide into two camps: those who admire him tremendously, and those who cannot abide him.

Candid appraisals that were solicited through numerous State Department offices included such diverse comments as:

From a veteran ambassador: "He is one of the best men we have in the Foreign Service. He is forceful, persuasive, a skillful negotiator, and has highly developed powers of analysis."

A second-echelon career official: "He can be nice or nasty, depending on his mood. Frankly, he irks the hell out of me."

A subordinate: "He is a driver, but he drives himself harder than anyone else. The one thing in his mind is to get the job done."

An equal on the policy level: "I rate his intelligence and ability highly. He is extremely direct and has a faculty for cutting through the underbrush and getting to the real problem. I have found him most cooperative, but he has a few personal qualities that irritate some people. I think there is also a dab of jealousy here and there about his rapid rise."

The pattern of these comments

suggests that, in Mr. MacArthur's case, familiarity breeds respect. The people who know him best and who have worked most closely with him have the highest regard for him.

It is easy to misjudge Mr. MacArthur on the basis of casual acquaintance. The first time I saw him, he was addressing a luncheon of the Overseas Writers Club in Washington. His manner was reserved, even aloof. He spoke precisely, choosing each word with obvious care, in an accent born of an Ivy League education and many years abroad. I commented to a luncheon companion that "he looks like a pretty stuffy type." Later, in private conversations under more relaxed circumstances, I found him a friendly, gregarious extrovert with a great deal of personal charm.

The public's legitimate concern, of course, is not with the MacArthur personality but with his ability. How much wisdom, experience and skill does he contribute to the delicate task of keeping the peace?

In seeking an answer to this question, we run up against the fact that a confidential adviser, by the nature of his job, cannot be judged by the same yardstick as an executive. It is the executive, in this case Mr. Dulles, who inevitably gets credit or blame, and Mr. MacArthur is too loyal to his boss either to claim or disavow the authorship of any particular aspect of U. S. policy.

The consensus of his closest colleagues' opinions is that he is a superior diplomatic technician, and a shrewd analyst of tactical problems, but not a profound thinker of Mr. Kennan's caliber. To put it differently, he is more concerned with making current U. S. foreign policy work than with brooding over different and possibly better solutions to the ultimate questions of atomic age diplomacy. Someone once described him as a carpenter rather than an architect of our basic cold war strategy, and he accepts this as a fair description.

One of Mr. MacArthur's most appealing traits is his unabashed enthusiasm for his job and his organization. He loves diplomacy, even the tedious aspects of it, and his attitude toward the Foreign Service is like that of an old Leatherneck toward the U. S. Marine Corps.

His never regretted decision in favor of a diplomatic career was made when he was 14, an age when by all logic he should have had his heart set on going to West Point or Annapolis. All of his family antecedents pointed him toward a military career. His grandfather, Lieut. Gen. Arthur MacArthur, had been

a famous soldier; his Uncle Douglas was making a brilliant record in the Army; and his father, Arthur MacArthur, Jr., was a captain in the Navy.

In 1923, Captain MacArthur's ship took the Secretary of the Navy on a good will tour of Japan. With a view toward introducing his son early to shipboard life, Captain MacArthur asked and received permission for young Douglas to go along. They sailed from Hampton Roads in May, visited the West Indies, Panama, Hawaii, Japan, China and the Philippines.

At each port of call, Douglas was placed in the custody of the local U. S. consul, or embassy staff, while his father was involved in ceremonial duties. He took a great liking to the Foreign Service people who cared for him and for the kind of life they led in faraway, exotic places. When the cruise ended in September, Douglas had firmly made up his mind that he would join the Foreign Service when he grew up.

His father, who died a few years later, assented. Douglas was sent to Milton Academy, a fashionable prep school near Boston, and then to Yale, where he majored in history and broke his nose three times running interference for Albie Booth.

He graduated from Yale in 1932 and passed the examinations for admission to the Foreign Service. But a long waiting list was ahead of him, and it was 1935 before his appointment came through. He spent the intervening three years plying the family trade as a lieutenant in the Army. He was stationed at various Civilian Conservation Corps camps in Virginia, an humble duty ameliorated somewhat by the fact that he often spent his week ends in Washington as the house guest of the Army Chief of Staff, his Uncle Douglas.

When he was finally appointed as a Foreign Service officer, he spent routine tours of duty as a vice consul in Vancouver and Naples. Then, in 1938, he was sent to the Paris embassy. He left Paris shortly before the Nazis overran it in 1940, and followed the French government to Vichy. His wartime work in Vichy had the cloak-and-dagger overtones that are always associated with a diplomatic career in the movies but only rarely in real life. One of his jobs was to help arrange escape routes for Allied fliers shot down over Europe, and he worked closely with the French underground.

Many of the leaders of the French resistance movement whom he met clandestinely in those furtive days are now leaders of the French gov-

ernment, and Mr. MacArthur's war-born friendship with them has helped to smooth over many a post-war French-U. S. diplomatic misunderstanding.

The Germans moved into Vichy in 1942, and Mr. MacArthur was sent to an internment camp where he stayed until March, 1944, when he was repatriated in an exchange of diplomatic personnel.

In June of that year, General Eisenhower's forces invaded Europe and within a month Mr. MacArthur was on his way back to France to serve as an assistant political adviser on the Eisenhower staff, a job in which he made good use of his contacts with the French underground. Paris was liberated in August, and Mr. MacArthur returned to the embassy he had fled four years before. He stayed there, as First Secretary, until 1948. In 1949, he was brought back to Washington to be chief of the State Department's Western European Division and subsequently deputy director of the Office of European Affairs, the post in which General Gruenther discovered him.

That part of Mr. MacArthur's life which is not devoted to his country's service is built around the two women who have shared his nomadic existence for 21 and 18 years respectively. Mrs. MacArthur, the former Laura Louise Barkley, is a gracious and charming Kentuckian who inherited her father's sense of humor and a good deal of his skill as a raconteur. Their daughter, chris-

tened Laura but always called Mimi, is a senior at the fashionable Holton Arms School in Washington.

Mr. MacArthur's only real complaint about his job is that the long hours, the frequent trips abroad and the interminable social obligations leave him too little time for family life.

At least three, sometimes four, evenings a week, Mr. and Mrs. MacArthur have to dress up and go out to a party given by or for someone of diplomatic importance. Mrs. MacArthur tries to minimize the impact of the social circuit on her husband's health (and her own) by arranging their calendar so that they alternate an evening out with an evening at home.

The off-night-at-home is Mr. MacArthur's main joy in life, and he plans carefully in advance how he will spend these few rationed hours with his family. Dinner is a pleasant ritual that recalls their long residence in France. Mr. MacArthur has what his wife calls "gourmet taste and a spartan conscience"—he likes good food and vintage wines, but has an ex-athlete's fear of gaining weight. After dinner, Mr. MacArthur likes to watch the fights or a baseball game on television. He is a die-hard fan of the Washington Senators.

Aside from Mrs. MacArthur and Mimi, the person closest to Mr. MacArthur is his widowed mother, who lives in Washington, and with whom he visits frequently. He also sees a lot of the Veep, who once counseled his daughter not to "marry that young fellow MacArthur and traipse all around the world," but who now regards his son-in-law as the paragon of all filial virtues. He calls on General MacArthur whenever he goes to New York, but their relationship, while warm and cordial, is no closer than could be expected of an uncle and nephew who spent most of their adult lives on opposite sides of the earth.

From the public utterances of the general and Mr. MacArthur, there would seem to be divergencies in their views on foreign policy. The general on numerous occasions has attacked the collective security concept which was expressed in the **NATO** and **SEATO** pacts, and which has become the foundation stone of U. S. cold war policy. Mr. MacArthur believes that collective security—a network of alliances against communist aggression in which each nation is a full, free and willing partner—offers the best hope of maintaining peace and freedom.

**END**



*Mrs. MacArthur, daughter of former Vice President Barkley, has much of the Veep's wit and charm*

# MOVING AHEAD: RAILWAY EXPRESS SPENDS \$60,000,000

Company which started in a carpetbag  
adds helicopters, walkie-talkies, new  
rolling stock and streamlined administration

By DONALD C. SPAULDING



IN THE New York office of Alfred L. Hammell, president of the Railway Express Agency, stands a red and gold scale model of the Wells, Fargo horse-drawn stagecoach of a century ago.

On Mr. Hammell's desk, in sharp contrast to this reminder of another era, lie plans and blueprints for a \$60,000,000 modernization program extending over the next few years. The plan involves:

*Complete replacement of  
the Agency's 13,500 delivery  
trucks and trailers*

**\$45,000,000**

*The purchase of 500 refriger-  
ator rail cars* **\$10,000,000**

*The installation of modern  
materials handling equipment*

**\$5,000,000**

This streamlining program, by far the most ambitious in the Agency's 116-year history, also includes, at an as yet undetermined cost, studies of electronic accounting, new and improved services, rate reductions on a long list of commodities and a continuing program of operations research.

While the old enjoys an honored place in Railway Express annals, it is only as a backdrop for the competitive vigor and constantly challenging problems of today's complex transportation industry.

William F. Harnden, founder of the express business in America, carried his first shipment of parcels in a carpetbag from Boston by rail to Providence, then by steamship to New York on March 4, 1839. The carpetbag didn't last long. Mr. Harnden had recognized a strong public need and, a few months after his first trip, Harnden & Co. carried its shipments in an express rail car coupled directly behind the train engine.

At that time, no single carrier operated between New York and Boston, and Mr. Harnden still relied on ship service between Providence and New York.

Mr. Harnden, incidentally, started his express business at the age of 26. He died six years later after seeing his firm well established both in this country and in Europe.

Actually, the circumstances which forced young Harnden to use two independent but coordinated carrier services laid the groundwork for today's intricate and far-flung Railway Express network.

Express routes now in operation cover 177,000 rail miles via 241 railroads; 113,000 air miles via 30 scheduled air lines; 77,000 highway miles via railroad truck lines, motor carriers and Railway Express Agency's own trucks; and 12,000 water miles via 12 steamship companies—plus countless local delivery routes.

Most express shipments are carried by at least two of these forms of transport and some may be moved by

WEINER WOLFF - BLACK STAR



all four, with helicopter service thrown in for good measure.

Mr. Harnden's idea was too important to remain unchallenged. Other competing companies were rapidly formed—Adams Express in 1840, American Express in 1850, Wells, Fargo in 1852, the Pony Express in 1860. During World War I, all express companies were unified at the request of the federal government and remained so after the war. In 1929, 86 railroads bought the company, then known as the American Railway Express Company, and the name was changed to Railway Express Agency, Inc.

Today, Railway Express Agency, Inc., covers more than a third of a million miles of routes in all 48 states, Alaska, Hawaii, Cuba, Canada. Over this network, more than 40,000 Railway Express Agency employees and agents last year moved 80,000,000 shipments, bringing in gross revenues of nearly \$375,000,000. The Agency has 15,000 offices with many branch offices in large cities and serves directly more than 23,000 communities.

Under its operating agreement with the railroads, the Agency can have no net income. Whatever money is left after operating expenses, taxes, etc., is paid to the railroads for hauling the traffic. In 1950, the payments to all carriers not including airlines, approximated \$84,000,000. Last year the figure was about \$118,000,000. Air Express, a division of Railway Express

Agency, began service in 1927, handling about 15,000 shipments. Last year more than 4,500,000 shipments were handled by air, with gross revenues of about \$33,000,000.

The Air Express division provides express service at 1,800 airports and, through closely coordinated rail-truck-ground facilities, extends air service to an additional 21,000 off-airline communities.

Six years ago, when Mr. Hammell became president, the Agency faced rapidly increasing competition from motor carriers, airlines, freight forwarders and the government's parcel post business. The competition—which is still increasing—had to be met.

"You can't stand still in this business—or you're dead," is the way Mr. Hammell sums it up.

In 1949, a committee of ten railroad and express men sat down to study two basic, all-embracing problems: 1, how to streamline—and to keep streamlining—the Agency's physical plant and the operation of its express service to shippers and the public; 2, how to streamline its internal structure in order to coordinate general management with field operations.

An attack on these problems was launched with the advisory aid of the industrial engineering firm of Drake, Startzman, Sheahan and Barclay and the management consultant firm of Booz, Allen, & Hamilton.

Purchase of 3,000 new one-and-one-half-ton delivery trucks, which

is the largest single civilian truck order ever placed, at a cost of about \$10,000,000 opened a campaign designed to rid the Agency of its old equipment. Plans call for replacement of all 13,500 Agency trucks and trailers over the next six years. When this program is complete, Railway Express Agency will own no truck more than six years old. Most of the new units built to date are in operation in 68 cities in 30 states and the District of Columbia. Financing arrangements provide that loans are to be repaid during the life of the equipment.

The new trucks, in keeping with modernization demands, provide a lower body bed thus giving ten per cent more loading space. New design means more efficient procedures. Instead of swinging outward—which in some cases might prove a traffic hazard—rear doors now slide up like overhead garage doors and can be operated either from inside or outside.

The addition of 500 new high-speed express refrigerator rail cars costing approximately \$10,000,000 brings the pooled Agency-railroad "reefer" fleet available in express operations to about 2,800 cars. Eighty-five per cent of the cost of these new cars will be written off during the next five years under authorization of the Office of Defense Mobilization. Two loans financed the refrigerator cars—one for five years totaling more than \$8,000,000, the other for 19 years covering the balance. Both

## RAILWAY EXPRESS

continued



loans are to be repaid in quarterly instalments.

The cars feature complete insulation; generator-operated overhead fans for equalizing car temperatures; heavy duty equalized passenger type trucks with coil springs; clasp brakes; roller bearings for smoother riding, and a number of additional new developments.

More than \$3,000,000 worth of modern materials handling equipment already has been installed in many of the company's terminals. It is expected that at least \$2,000,000 more will have to be spent over the next few years to bring this phase of operations up to date. Most of the equipment consists of power and gravity conveyors to speed the flow of packages in terminals, portable conveyor scales, fork-lift trucks and the like.

Railway Express counts heavily on its World War II experience in materials handling for the armed forces. Together with Railway Express Agency experts, the Drake engineering firm helped work out a unified development program in the materials handling field, studying traffic patterns and costs and terminal and vehicle operations. The goals they sought were: to speed up handling of shipments; reduce express damage and loss; train additional Railway Express Agency personnel in materials handling and freight expediting; set up a continuous supervisory training program, and provide standards for work measurement to coordinate the number of employees in a terminal at any given time with the probable traffic flow in that terminal.

To make certain that field operations in this area are carried on at maximum possible efficiency, a new

field staff of 60 trained supervisors has been established.

While modernization of existing terminals has been extensive, a new terminal has been built especially for Railway Express Agency by the Pennsylvania Railroad, near their 30th Street Station in Philadelphia. This \$2,000,000 structure has nearly 120,000 square feet of working space inside, platforms covering 83,000 square feet and able to accommodate 100 vehicles at a time. The terminal also has an 818-foot permanent conveyor system, new tractors, fork-lift trucks, conveyor scales, platform scale, modern icing and sawdust machinery, and an automatic fire alarm and sprinkler system.

In a number of terminals walkie-talkie radio systems have been or are being installed, as well as two-way radio equipment on hundreds of trucks in major areas. Many Air Express vehicles are now radio dispatched and 50 of the Agency's small-town offices have been equipped with tape-recorder telephone answering devices. Regular helicopter service has been established at both New York and Los Angeles airports and is rapidly being expanded to outlying areas. A new type service, S.P.E.D. (special expedited depot service) has been started between New York, Philadelphia, Baltimore and Washington, D.C. Under this plan, commercial shippers as well as the public will be able for the first time to forward and receive urgent shipments at railroad stations on a regular basis. Studies of this plan in operation will determine the advisability of extending such a service between other major cities.

Electronic and automatic processing of paperwork is still under study, although Recordak, microfilm, and some other devices have been installed to preserve quickly all delivery records and waybills.

Augmenting "Operation Streamline" has been a planned series of rate reductions amounting to ten to 40 per cent off the old rates. These reductions include 25 per cent on hosiery shipments from 22 states; 25 to 35 per cent on apparel and accessory shipments from New York and Jersey City to all parts of the United States; 25 per cent on work clothes and certain other apparel from 24 states, 25 per cent on shoe and other footwear shipments to all parts of the United States, and from ten to 40 per cent on shipments of advertising and printed matter to any point in the country. Possible rate adjustments for other commodities receive constant attention.

What has this extensive program accomplished in the way of savings

and reduced cost? The Agency estimates current annual gross savings at about \$8,000,000 as a direct result of capital expenditures for materials handling equipment since 1951. Expenditures were \$750,000 in 1954, for example. Spokesmen for the company indicate that, when the program is completed over the next six years, these direct annual savings may well be doubled. This saving, plus increased volume resulting from reduced parcel post competition as well as rate reductions and new services, also has cut the annual losses to the nation's railroads (68 of which now own the Agency) from \$100,000,000 to approximately \$50,000,000. Mr. Hammell hopes that the next decade may see the end of any deficit.

To meet problems posed by internal reorganization, Booz, Allen & Hamilton recommended that the number of vice presidents and department heads reporting to the president be reduced from 12 to five vice presidents.

The five vice presidents represent Administration and Finance, Law, Personnel, Traffic, and Operations. Regional operating vice presidents in New York, Chicago, Atlanta and San Francisco report to the Operations vice president. Operations include a transportation division responsible for schedules and routings.

The traffic department has been reorganized, with new directors of business planning, public relations, market and traffic research, rates and tariffs, sales, and advertising and promotion. The personnel department now includes directors of personnel and salary administration, labor relations, research and education and training. The newly established Administration and Finance Department has responsibility for accounting and cost control techniques.

"As one result of this streamlining and reductions in the railroad deficits from express operation," Mr. Hammell points out, "the railroads have been encouraged to feel that something can be done with the express business. Last year we signed a new contract which runs for 19 years and ten months—to Dec. 31, 1973. The new contract is more flexible than the old. It permits a participating railroad, for example, to withdraw on the first of any month after Dec. 31, 1958, on 18 months' notice where the old contract had no similar provision. The new contract also brings up to date the base period for revenue distribution by providing a test period of at least 12 months, during which revenue will be divided among railroads on

the basis of actual routings as shown on waybills. The last base period for revenue distribution was back in the 30's."

Although the Agency hopes increased volume of shipments will more than offset recent rate reductions, labor continues the major cost factor in express operations, accounting for about 80 per cent of total annual expenses.

Railway Express Agency deals with four unions, largest of which is the Brotherhood of Railway Clerks. Others include the Teamsters in New York, Newark, Philadelphia, Cincinnati, Cleveland, St. Louis, Chicago and San Francisco; the AFL Machinists and the International Brotherhood of Blacksmiths and Forgers.

Most serious of the external factors, Mr. Hammell asserts, is competition from the government's parcel post operations. However, he sees a hopeful trend in both the Hoover Commission report, "Business Enterprises," dealing with government competition with private business, and the report of the President's Cabinet Committee on Transportation Policy, released this spring.

"If Congress will provide legislation based on these reports," Mr. Hammell says, "it will help all forms of commercial transportation by reducing government control of rate regulation, putting transportation of property in the open market where all transport agencies operating under private enterprise will have the opportunity to compete fairly for it. That will benefit the private transportation industry. It will also benefit the public through lower rates and better service.

"A nationwide agency to serve the public need for express shipping is a vital necessity. At the same time, if the owners of our business—or of any other business—are going to have money to reinvest, to improve service and provide modern and expanded facilities, rates must be realistic and produce revenues sufficient to maintain the service."

Mr. Hammell sees a bright future for private enterprise in the express business:

"When you add up the figures on what we've spent and are spending to modernize and to meet competition, when you sense the new vigor with which the Agency faces the future, you'll recognize why. First, because we want to maintain our traditional record of service in an expanding and maturing nation. Second, because we have faith that free competition itself will not only survive in our nation, but grow stronger. And we must survive and grow stronger with it."

END



## LET'S SEE... Let's drive on concrete tonight!

"Let's see—we could take a shorter route but the gas station man says this one is concrete all the way. We'll make better time because we can see where we're going on concrete. Yes, let's see! Let's take the concrete road tonight!"

Millions of motorists make this wise decision. There's good reason for it. For example, Illuminating Engineering Society tests reveal that a concrete pavement reflects up to four times as much light as dark pavement.

And in the state of Washington, a 1952 survey showed 63% more nighttime accidents occurred on dark pavement than on concrete as compared with 50% more in daylight!

Studies like these prove conclusively how important good visibility is to safe driving at night, when most accidents occur. *Simple logic says you can't be safe if you can't see!*

Yes, safety on the highway at night demands high light reflectance. Only concrete provides it. For safety's sake urge public officials to pave all your main roads with concrete.

Because concrete is light-colored your headlights illuminate the road a maximum distance ahead.



Light from the same headlights is absorbed by a dark pavement surface. To be safe, you must see!



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A national organization to improve and extend the uses of portland cement and concrete...through scientific research and engineering field work



EDWARD BURKE

*Commercial Artist Jack Willis and family go after the big ones on Lake Copperhead, fishing hole they built in Fauquier County, Va.*

# LIKE TO FISH? HERE'S AN EASY WAY

**Many fishermen, with little or no time to go where the fish are, have discovered how to bring the fish to them**

**By EARL FRANKLIN KENNAMER**

**P**ACKING eight hours of fishing between 16 more hours of driving makes a thin recreational sandwich. Yet thousands of angle-minded businessmen follow this familiar pattern because public fishing waters near their homes are inadequate, inaccessible, or undesirable.

Six years ago Richard F. Ray, an official of Alabama's Birmingham Slag Company, was a member of this nomadic sporting group. His weekend fishing mecca was 250 miles away. While those distant jaunts

were fruitful, they were necessarily infrequent.

Solution of the dilemma jelled in an idea. Why not build a private pond closer to home? Mr. Ray had no difficulty interesting five friends in the proposal. They found a site for a lake on a small farm about 40 minutes' drive from city traffic.

The farm was bought and a 100-yard dam constructed for a 20-acre lake. Today each has his own shoreline lot, boat and a boathouse and a cottage.

Potential annual yield of the lake is a conservative 6,000 pounds of bluegills, shellcrackers, and large-mouthed black bass. "My share of the yearly fertilizer bill is scarcely more than the cost of two week-end trips to my out-of-state fishing haunts," says Mr. Ray.

John Brooks of Ray-Brooks Machinery Company of Montgomery, Ala., built a 12-acre lake and lodge six years ago for a different reason. His wife, an inveterate fisherwoman, had difficulty finding good fishing spots. He decided to build her a lake for a present with his own construction equipment. He wasn't a fisherman until one day Mrs. Brooks asked him to hold her fly rod while she tended to a minor chore. In that brief moment Mr. Brooks found himself hooked—along with a two-pound bass.

Former fishing excursions of R. Emmett Lynch, a glass manufacturer of West Virginia, included Canada. He now spends most of his spare time on his five-acre pond ten miles from his Morgantown home.

These are examples of businessmen who have built and own an estimated 200,000 fishponds throughout the country. Hundreds of other new artificial ponds are being grafted on the face of the land daily. Possibly 2,500 of the 11,000 artificial ponds in Alabama are owned by businessmen.

Generally speaking, the owner of a private pond is not limited by regulations or weather. In many states he can remove from his pond as many fish as he wants, regardless of size, time of the year or method. Heavy rains with resultant high levels and muddy water—the bane of the stream angler—never bother the owner of a private pond.

Telling the embryo pond owner what size pond to construct is fluid advice. Offhand, a one-acre fertilized pond is the minimum size for the person who fishes occasionally. If he is a frequent Waltonian, he should consider building a two and a half to three-acre impoundment, provided the water is to be fertilized. Where fertilization is not to be followed, the acreages may be doubled or tripled, but the larger lakes present management problems.

Building a fishpond isn't simple. If the water source is to be rainfall—and probably half the present number of ponds depends on this source—an optimum ratio of watershed acreage to each pond acre must be computed.

Soil type, cultivation of the watershed, and amount of rainfall will also affect pond location and size. Construction planning includes height

and slope of the dam, spillway size, shoreline excavation, drainpipe installation, and sodding of vegetation. In northern states a good portion of the pond must have depth of 12 to 14 feet in order to prevent winterkilling of fish, while in more temperate regions extreme depths are relatively unimportant. Anyone planning to build a pond would do well to see his county agent or other specialist for advice.

Since each pond is a special case, no standardization in construction costs can be figured. Expense per acre of impounded water will generally range from \$200 to \$2,000.

Fifteen years ago a properly stocked pond was one that received tubfuls of every kind of fish annually. Stocking today is rapidly paralleling the exactness of a chef's special. Ponds that are to be fertilized are generally stocked at the rate of 1,000 bluegills, 100 largemouthed black bass, and 500 shellcrackers, if available, to each acre. Additional stocking in later years is unnecessary unless the fish population becomes unbalanced. If the pond is not to be fertilized, a lower rate of stocking must be followed.

I have known pond owners to declare their pond acreage twice its actual size with the idea that the more stock fish they got the more successful fishing they could expect. Invariably these ponds must be checked by a fish specialist within two years and corrected. Too many "seed" fish in a pond may result in sardine-sized specimens later.

In New York and a few other northern states, authorities state that brook trout in fertilized ponds produce good fishing a year after stocking. The disadvantage is that no one has been able to solve reproductive problems of trout in ponds.

A few fish specialists are recommending pond stocking of crappie and bullheads, yet neither of these types of fish can compare in sporting qualities or flavor to the bass or bluegill. In fact, in many ponds where fishing is poor, I find crappie and bullheads have dominated more desirable fish. Then I recommend such ponds be drained and restocked with proper kinds of fish.

Shad, carp, suckers and other rough species also will disrupt the balance of a good pond. Fish for stocking new ponds are available free of charge from state conservation departments or through the U. S. Fish and Wildlife Service.

Fishpond fertilization is the tonic that has probably sparked the construction of more than 2,000,000 ponds during the past decade.

Unfertilized ponds produce from  
(Continued on page 77)

**INDEPENDENCE** is in season! Everybody's more cognizant of his heritage of freedom during vacation time... whether he spends it traveling this wonderful land of ours, or snoozing away two weeks in the backyard. But people sometimes forget the true significance of our forefathers' achievement... we



fail to remember our independence was won through the close cooperation of all the people. Your Chamber of Commerce hasn't forgotten though. Every day you see its members practicing the lesson of strength through unity, to make your town a better place in which to live. All over the country, they're backing the drives for adequate school buildings, adequate pay for teachers...for better roads, better traffic conditions...for more industry, more local business...for the kind of communities in which all Americans can prosper. They're working to help you. You'll help yourself when you get behind the Chamber's activities in your own hometown.

*Pete Progress*

*Pete Progress speaks for your Chamber of Commerce, an organization dedicated to making your community a safer, healthier, pleasanter place to live and work. Support it!*

# Statistics frame the future

**Most business decisions involve a forecast—an estimate of a future situation. National income figures may help you make yours**

MANY businessmen are finding national income statistics a valuable business tool.

These figures are, in effect, accounting records summarizing key business and financial transactions in the American economy. They measure the goods and services produced, what groups consume them, and how the costs of production are distributed. They represent consolidated income and expenditure records of our 48,000,000 households, 4,000,000 business firms, 5,000,000 agricultural producers and 120,000 units of government.

When our economy was simpler and less interdependent, there was less need for national income statistics. But in today's highly dynamic economy, with its steady population growth, a constant shifting of population, new raw materials continually being developed, new products reaching the market daily, and indeed whole new industries being created, business executives find greater need for the over-all views presented in gross national product, national income and related data.

National income statistics form a series of interrelated accounting records for various segments of the economy. The major series follow.

**Gross national product**, the primary series, measures the total production of goods and services. It is computed in two ways: by adding up final purchases of consumption and capital goods and services, and also by totaling the costs of producing these goods and services.

**Net national product** measures goods and services purchased for consumption, plus net additions to business plant and equipment. It is obtained from gross national product by deducting depreciation and other accounting charges for the wear and tear on business capital equipment.

**National income** represents total payments to labor and property. It equals net national product minus excise taxes, customs duties and other indirect business taxes.

**Personal income** is total current income receipts of individuals from all sources. It differs from national income by excluding undistributed corporate profits and other income from production not paid to individuals, but includes retirement pension, unemployment compensation and other personal income payments not originating in current production.

**Disposable personal income** is the amount individuals have available for purchasing goods and services. It equals personal income minus payments for taxes.

**Consumers' expenditures** is the total amount spent by individuals for consumption goods and services. It equals disposable personal income minus personal savings.

National income statistics include more than 50 statistical tables. Most series are available annually since 1929, and major series have been published quarterly since 1939. The personal income series is available monthly since 1929.

Company business trends can be compared directly with appropriate national income data. Many firms calculate their sales per \$1,000,000,000 of gross national product or per \$1,000,000,000 of personal consumption expenditures. Company profits, wages, and employment can each be related to national totals. Continuous comparisons for a quarter cen-

**National figures** on income and expenditures provide some businessmen with yearly standards against which to measure the performance of their own organizations and with which to help estimate future situations

## NATIONAL INCOME AND EXPENDITURES, 1954

(In billions of dollars)

INCOME	EXPENDITURES
Wages, salaries and fringe benefits .....	\$207
Proprietors' income:	
Agricultural .....	12
Business and professional .....	26
Interest (except from government) .....	9
Rent .....	11
Corporate profits and profit taxes .....	35
<b>NATIONAL INCOME</b> .....	<b>\$300</b>
Indirect business taxes .....	30
Statistical discrepancy, etc... .....	-2
<b>NET NATIONAL PRODUCT</b> .....	<b>\$328</b>
Depreciation charges, etc. ....	29
<b>GROSS NATIONAL PRODUCT</b> .....	<b>\$357</b>

## PERSONAL INCOME AND OUTLAY, 1954

(In billions of dollars)

INCOME	OUTLAY
Wages and salaries and fringe benefits (less employee contributions for social insurance) .....	\$197
Proprietors' income:	
Agricultural .....	12
Business and professional .....	26
Interest .....	14
Rent .....	11
Dividends .....	10
Social insurance and other transfer payments .....	16
<b>PERSONAL INCOME</b> .....	<b>\$286</b>

tury are possible, since national income statistics are continuous back to 1929.

Firms use these data in several ways. Raymond G. Fisher, Director of Economic Research for Continental Can Company says: "At Continental we use various segments of the national income figures for forecasting sales and for reviewing current operating results. Especially important in our work are the estimates of personal income and personal expenditures for consumption which represent the starting basis of our forecast of the markets for our company's products. Other elements of national income statistics, such as government spending, gross private domestic investment, income distribution, etc., are useful in assessing changes in the areas of the nation's economy that affect Continental sales patterns."

The statistics also permit comparison of individual firm performance with national trends.

"It is customary in our company to compare sales of products or groups of consumer products with disposable income," says Walter E. Hoadley, Jr., treasurer of Armstrong Cork Company. "Inasmuch as competition for the consumer's dollar is becoming increasingly keen, it is only natural that there is a continuing interest in the number of consumer dollars available and the pattern of their use. National income statistics, obviously, are helpful in this."

Eastman Kodak Company uses national income statistics extensively.

"The major portion of the job of most business executives is to make decisions," says Edmund R. King, chief statistician for Eastman. "Most of these decisions involve a forecast, an estimate of a future situation. The choice for businessmen is not to forecast or not forecast. The lack of

an explicit forecast means a dangerous type of forecast—that conditions will not change much.

"In our company we believe that we should have systems to marshal as many of the facts as possible. We recognize that the internal affairs of the company are influenced by very dynamic external factors. These external factors change in ways which importantly affect the company."

Each year, beginning about Aug. 1, Eastman statisticians study trends in disposable personal income, gross national product, and other national income statistics, as well as price, industrial production, and other economic data.

These statistics are then estimated for each of the next five years, and the estimates submitted to top company management for review and approval.

Sales of individual major products are also estimated for each of the next five years, the sales estimates being as consistent as possible with the over-all background economic assumptions.

These sales estimates become, in effect, sales budgets for the following year, and long-term estimates for use in policy decisions. The figures are used in planning manufacturing and capital expenditures, research and development expenditures, selling and administrative budgets, and estimates of inventory position, gross margin by products, total net earnings, cash position, and return on investment.

"Our experience with this whole procedure makes us believe that any company may realize more satisfactory operations with a coordinated forward-planning procedure than would be the case without such a conscious effort toward this end," says Mr. King. "We are under no illusions that we have a perfect procedure, but we think that it is worth the try."—FRED D. LINDSEY

## SECOND HALF LOOKS GOOD *continued from page 39*

other end of the age scale there has been a decline in the proportion of workers over age 65.

### Has this been an important decline?

Yes. For example, the proportion of men more than 65 in the labor market this year is below 40 per cent for the first time in our history.

### What has happened to these older workers?

From all indications they have retired. You know, of course, that our

Social Security System has been steadily growing for the past 15 years or more. In addition, many private business concerns have established pension systems for their employees. The Bureau of Old Age and Survivors Insurance reports that the number of beneficiaries has recently passed 4,000,000. The liberalization of benefits in recent years now makes it possible for more older people to live reasonably well in retirement, and many of them may have retired from the labor market voluntarily.

END



**DID YOU KNOW THAT 75¢ OUT OF EVERY PREMIUM DOLLAR . . .**  
you pay for insurance stays in your community when you buy from your local Phoenix of Hartford agent?

On the average, 75¢ stays in your home town to pay losses, to pay local taxes and to make purchases from local merchants. Less than 10¢ goes to the company for expenses, profit and taxes. About 15¢ remains in your home state to pay inspection and rating bureaus and state taxes.

## WHEN YOU BUY INSURANCE BUY INTEGRITY

  
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Executive Office: Hartford 15, Connecticut

# THE SEA MAY END OUR WATER SHORTAGE

Laboratory results raise hopes that Interior Department's program may help solve the age-old problem of converting salt water to fresh, and at reasonable cost to cities and industries

By ALFRED STEINBERG

THE extraction of fresh water from sea water at prices some cities and industries might pay and the conversion of brackish water to irrigation uses seem to be in sight.

That's the conclusion of David S. Jenkins, director of the Saline Water Conversion program of the United States Department of Interior. He warns, however, that "much additional work will be necessary before either can be brought to realization." Since the program was started about three years ago, 24 research and development contracts have been let.

"Several have been completed," Mr. Jenkins says, "with seven or eight very promising results. As these processes are developed and

show sufficient promise, pilot plants or field tests become necessary. Such field testing of one process is now in progress. It is anticipated that two or three other processes will be far enough advanced by 1956 to warrant pilot plant operation."

Mr. Jenkins, an engineer who has spent a quarter century working on water problems, says the Interior Department's primary object is to establish large-scale methods of supplying converted water for municipal, industrial and irrigation use at prices competitive with existing water sources.

Until World War II, water shortages were chiefly the problem of our western states. Since then shortages

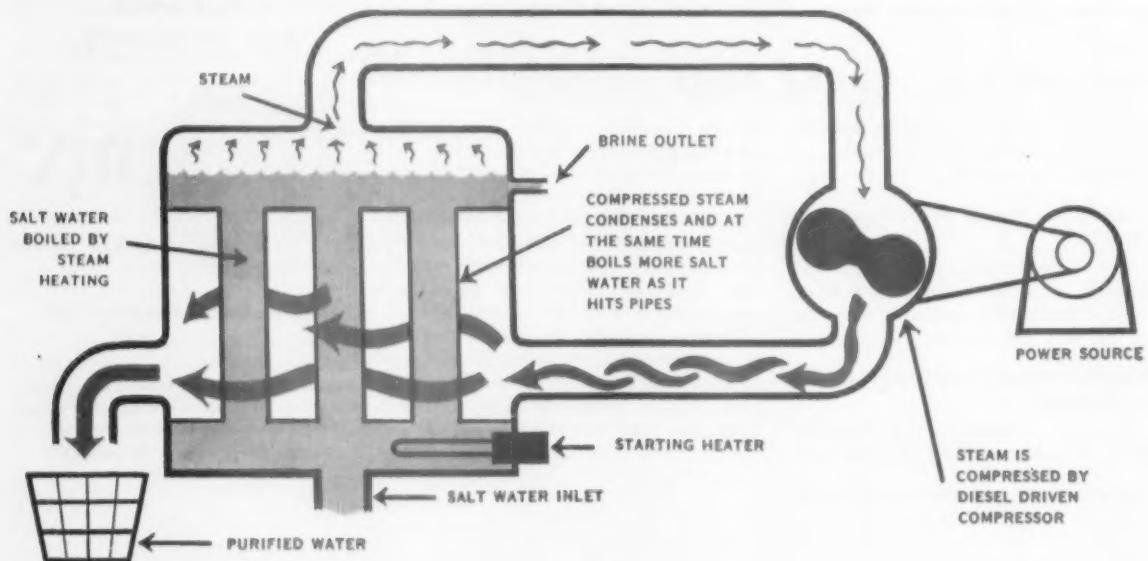


*Our population's growing  
—and each of us is using more water than ever*



have struck in all directions, parching both coasts and vast areas in between. City after city has pleaded with its citizens to cut down on their water use. This has been true in municipalities where an adequate water supply has been taken for granted—in New York, Philadelphia, Norfolk, Tampa and New Orleans. In some sections of the Southwest, ground water is being frantically pumped for irrigation purposes at about twice the safe yield. A recent report of the U. S. Geological Survey concluded bluntly that "the use of water is increasing rapidly and is approaching feasible limits of development in area after area."

*In vapor compression distillation, salt water enters heated pipes (bottom) turning to steam. After steam is boiled out of brine, the steam leaves chamber from top, passes to compressor which forces vapor back into chamber. There it condenses (left) as purified water*





## ION DEMINERALIZER

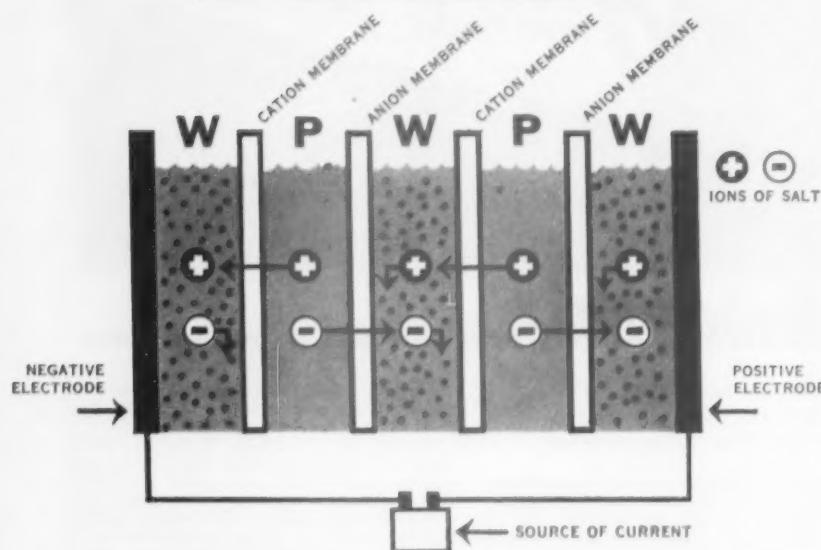
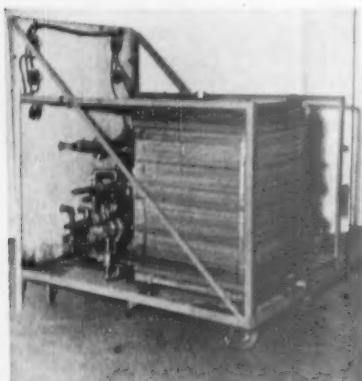


Diagram shows a group of cation and anion membranes of alternating permeability stacked between positive and negative electrodes, with salt solution in cells between membranes. Passage of current into electrodes from battery source forces ions of salt through membranes so that anion membranes allow only negative ions to pass through while cation membranes allow only positive ions to pass through. Cells P become purified while cells W become more intensely concentrated with salt. Actual construction of a unit is similar to the diagram, except that larger numbers of cells are located between a single pair of electrodes, and the solution spaces are gasketed. Photo below shows two views of experimental Ionics NEPTON brackish water demineralizer.



use our surface and ground water, both are becoming more heavily laden with salt. It is desirable that inland saline waters, which were formerly rejected, now be improved and put to use."

The United States isn't the only country plagued with water shortages. All over the world this phenomenon is a key limiting factor in national development. History shows that several past civilizations rose and declined according to their water sources. For instance, the Assyrians

and Babylonians once thrived in the Tigris-Euphrates Valley. But when the climate changed, the land dehydrated to worthless desert and the culture disappeared.

While no such drastic end awaits us, we have only lately begun to stir.

In 1950, President Truman's special Water Resources Policy Commission delved deeply into our water problems. It found we could rectify our situation in two ways. First, we had to manage, conserve and use our domestic supply better. Second, we

had to acquire new supplies of water partly through "exploration and experimentation . . . in the general field of conversion of sea water to fresh water on an economic basis."

The current program of the Interior Department is in line with the commission's second proposal. In laboratories across the country, chemists and engineers are wrestling with problems of converting sea water—which covers 75 per cent of the earth's surface—to fresh water at low cost. The Department is coordinating these efforts under the Saline Water Conservation program.

Man's theories and practices to convert sea water have been many. In the Fourth Century B.C., Aristotle discoursed that pure water could be made from sea water by evaporation. Lord Bacon, centuries later, said that "with a heat sufficient for distillation, salt water distilled is fresh."

Actually, for centuries ships have been distilling sea water for drinking purposes. Thomas Jefferson, when he was George Washington's Secretary of State, wrote a departmental report on this subject. He noted that the *Dolphin*, a 20-gun vessel in its trip around the world in 1768 manufactured its own drinking water with a pot, tea kettle and a gun barrel.

Today almost all ocean going liners distill their own drinking water from sea water. The United States Navy has been distilling sea water aboard its ships for more than 40 years. Some of the larger vessels are capable of producing 40,000 gallons of fresh water daily.

Why then can't we use the same technique to convert vast quantities of sea water to fresh water for municipal, industrial and irrigation purposes? The answer lies in prohibitive cost. Where there is no fresh water, cost, of course, is not a factor.

When the Interior Department began its program its concern was not to refine ship-converting methods to land use, but to find low-cost means to convert enormous quantities of salty water to fresh water.

Actually, the program is a two-pronged effort. One deals with converting sea water, which is about 3 1/2 per cent salt; the other deals with brackish water, a nauseous liquid running .1 to 1.0 per cent salt. In some sections of the Great Plains area and in the Southwest, 30 per cent of the water is brackish and unsuitable for any use.

Under Interior's conversion program the idea was first to evaluate all known methods, then to assign contracts and grants to scientific, engineering, industrial and educational institutions to explore laboratory

possibilities of the more promising methods. After a further winnowing, larger contracts would be made for field tests. Should these prove successful, municipalities and industry should then be willing to finance construction of large conversion plants.

At the outset, all who had ideas on the subject were urged to submit them to Interior. These ranged from one suggestion that a fleet of planes fly over the Great Lakes, scoop up water and dump it on parched western land, to complicated scientific proposals involving solar radiation, vapor compression and reverse osmosis.

To note progress, Interior established cost criteria. Based on the actual cost of undistributed water in 400 cities, a cost of 38 cents per 1,000 gallons became the goal of its conversion program for municipal water.

No detailed study was made of industrial users, although many pay far in excess of this figure. For irrigation water a top of 12 cents per 1,000 gallons of undistributed water became the goal. On these bases, federally sponsored research grants and contracts were issued. If these costs could be met, the Department realized it would at last solve the riddle of the seas.

In converting brackish water, Ionics, Inc., of Cambridge, Mass., is developing an ion transfer membrane process which uses electric current to force the minerals in the water through plastic mem-

branes. The brackish water is let into the machine and what emerges from the other end are two separate streams: one, pure water; the other, brine.

The cost of the Ionics process depends primarily on the amount of electricity used—the higher the salt content of the water, the more electricity.

As for converting sea water to fresh water, Ionics admittedly requires too much electricity. Its processed but undistributed water would run in the neighborhood of \$1.25 to \$1.50 per thousand gallons, far exceeding the hoped for 38 cents.

Among the methods being explored for converting sea water is the solar still, which requires no fuel and little mechanical power. Shallow trays containing water enclosed in airtight hoods are heated by the absorption of solar energy. Condensed pure water is collected from the surface of the hood. Although lab tests indicate a cost of approximately \$1.00 per thousand gallons, so much glass and space are required that large-scale operation does not appear promising unless cheaper equipment is developed.

Other methods upon which research is being carried out include separation by freezing, demineralization by pressure permeation through materials such as porous glass and modified plastic films, and the use of special solvents.

One of the lowest cost practical methods of large-scale conversion of

sea water to fresh water has been achieved by the vapor compression distillation method. When the Saline Conversion Program began, cost under this method ranged from \$1.25 to \$1.50 per thousand gallons under lab conditions. Today the cost—still under laboratory conditions—has dropped to approximately 60 cents.

Recently, Dr. Kenneth C. Hickman of Rochester, N. Y., working with the Badger Manufacturing Company, developed radically new vapor compression distillation equipment. Dr. Hickman believes that his process may reduce the present cost by as much as one half. Mr. Jenkins says that with adequate future research, the cost may be cut even more than this.

Even though Interior is enthusiastic about the Hickman research, it does not believe this method will be applicable for most irrigation purposes. For even a cost of 30 cents per thousand gallons far exceeds the desired 12 cents per thousand gallons of undistributed irrigation water.

Mr. Jenkins, summing up the program's progress, says: "Cost is still excessive for most purposes. Since it is highly improbable that a single process will provide fresh water for all purposes, at all locations and under all conditions, it is desirable that several different principles and combinations of processes be under development concurrently. Thus, considerable attention is devoted to new research ideas and to programs designed to generate such ideas." **END**

## LIKE TO FISH? HERE'S AN EASY WAY

*continued from page 71*

50 to 200 pounds of fish per acre annually, depending on the fertility of the watershed. Systematic fertilization, however, will produce 300 to 500 pounds of fish to the acre. Experiments at the Alabama Polytechnic Institute have revealed that an 8-8-2 fertilizer—eight pounds of nitrogen, eight pounds of phosphate, and two pounds of potash—is the inorganic mixture that gives most profitable results. The fertilizer is applied to the water at three to four-week intervals, beginning in the spring, at the rate of 100 pounds to the acre. Fertilization is discontinued when fall frosts occur.

The outlay for fertilizer will range from \$18 to \$30 for each acre of water annually. Fertilizer serves the same purpose in water as on soil. Distributed by hand or from a boat, it merely increases the number and growth of tiny living plants and ani-

mals—called plankton—floating in the water and living on the pond bottom. This increase in turn means more abundant fish food and more and bigger fish.

If the water becomes densely green or brown so that the hand is indistinct at elbow depth beneath the surface, further fertilization is unnecessary until the water clears. Weed growths are less likely to infest the well fertilized pond because sunlight cannot penetrate the plankton.

Fertilization is not a cure-all. It increases production, not necessarily size. I see no value in fertilizing, say, a ten-acre pond if only two or three anglers fish it. Natural production will provide them with all the fish they want.

How many pounds of fish can be removed from a pond by fishing? In water impoundments that contain all types of fish and are not fertilized,

the yield in game fish through angling will probably average 15 pounds per acre annually. The angler can expect to catch 100 to 300 pounds of fish from each acre of stocked ponds.

No matter how intensive the fishing, no more than 60 per cent of the total number of fish can be taken from a pond. The other 40 per cent simply refuse to bite!

While it is obvious that a good artificial pond is the crowning achievement of man-made fishing enjoyment, what about the non-fisherman who is advised by his doctor to relax frequently on a good pond? He can build his own, stock it, but never drop a hook in the water. He can visit his retreat when the pressure of work mounts, recline in a hammock, and throw bread to his finny pets until sleep overtakes him! **END**

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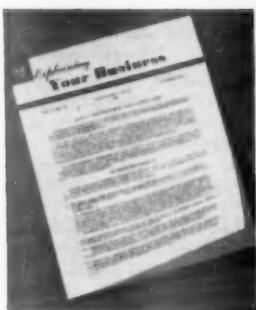
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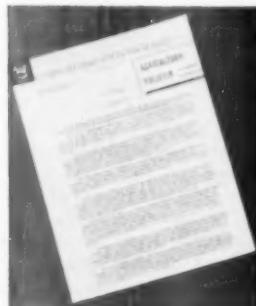
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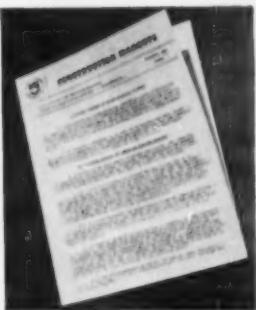
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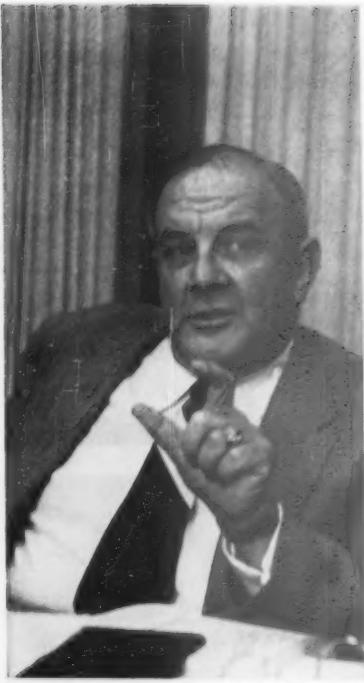
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FRED J. MAROON

*Stanley N. Barnes*

## 50 MORE ANTITRUST CASES

*continued from page 27*

are being enforced with equality, fairness and firmness. That is all we are doing.

**Is it possible that some businessmen operating in good faith may be in technical violation of the antitrust laws and not know it?**

It is possible. Let me add that in my experience it rarely happens.

**Let's now discuss some general business practices with relation to the antitrust laws. What constitutes a monopoly? Is bigness in itself a criterion?**

Absolute size is absolutely irrelevant. Only significant is relative size in the context of a particular market.

Let me give you an example: Not so many months ago, we approved a merger of Studebaker and Packard. The combined assets of those two companies totaled several hundred million dollars, yet, I'm sure that no one would contend that Packard and Studebaker combined had a monopoly in the automobile business.

On the other hand, we prosecuted a successful suit against a company that had total assets of probably not more than \$500,000, Besser Industries.

This company was able to control

better than 90 per cent of the cement block manufacturing machinery produced in the United States. It was a small business, relatively speaking, but it had a monopoly.

**I believe the Department has already recommended against a merger between Bethlehem Steel and Youngstown Sheet & Tube Co.**

That is correct. We said that this combination would violate Section 7 of the Clayton Act, which is a merger statute. Unlike Section 2 of the Sherman Act which strikes at "monopoly in the concrete," Section 7 aims to halt in their incipency moves toward monopoly by merger.

**What principle makes the proposed Bethlehem-Youngstown merger look like a violation to the Justice Department?**

In the first place, you get into a very fundamental question. The antitrust law is not just the Sherman Act or the Federal Trade Commission Act or the Clayton Act or the Robinson-Patman Act. It is a combination of some 29 different laws plus some 31 additional laws that have antitrust implications.

The Sherman Act of 1890 seeks to prevent restraints of trade and efforts to monopolize, as well as monopolization itself.

The Clayton Act, in Section 7, relating to mergers, had an entirely different purpose. It was not to prevent or to attack monopolies or combinations which created monopolies. It was an attempt to reach what might some day be a monopoly before the monopoly had been accomplished. Therefore, entirely different standards and different rules apply to enforcement of the merger statute as compared to the Sherman Act monopoly and restraint of trade statute.

At the time United States Steel was organized, for example, the Clayton Act was not in existence. If United States Steel attempted in 1954 to create itself by merging corporations, the way that Bethlehem and Youngstown wanted to do, you could be assured that the Department of Justice Anti-Trust Division would try to prevent it.

We have to keep in mind that a businessman could do many things in 1895 that he could not do in 1915, and which he cannot do in 1955.

The difficult question, of course, is that Congress did not say that there shall be no mergers. That would be a simple way to solve the problem.

Congress said that there shall be no merger where the effect might tend to create a monopoly or substantially lessen competition. That

leaves the problem, "what constitutes a substantial lessening of competition?" Not only must you find that there is a lessening, but you have to analyze whether or not it is a substantial lessening.

You don't have to find whether the merger will create a monopoly but whether there is a tendency to create a monopoly. All these are questions for court interpretation.

**Does that say that we have degrees of monopoly in business today?**

You get to a question of semantics. You would have to tell me what you mean by monopoly and what you mean by degrees. Where we have determined that a monopoly exists, it doesn't make much difference whether it is a weak monopoly or a strong monopoly.

**While the Department has warned against a certain merger in steel, it authorized three major mergers in the automobile industry. I believe all of these have taken place since the Celler Antimerger Amendment of 1950. What makes the mergers possible in automobiles and not in steel?**

The competitive significance of a merger can be gauged only in the context of a particular market setting.

In the steel industry, you have United States Steel with about 34.1 per cent of the total production in the United States.

You have the proposed merger of Bethlehem and Youngstown, which would be a lesser percentage but yet would be from five to ten times larger than the next seven largest fully integrated steel companies in the United States.

In considering the steel merger, you not only have to consider the position of Bethlehem-Youngstown, relative to U. S. Steel, but also to these other seven large fully integrated companies, to the some 13 additional fully integrated companies and to the additional 100 or more non-integrated steel companies. You must consider whether the merged company would have a decisive advantage not only in relation to United States Steel, but in relation to these smaller companies.

Now, in the automotive industry you have three giants. In 1954, General Motors had some 52 per cent of the total American production; Ford had some 23 per cent and Chrysler 18 or 19 per cent.

You add that up and you get about 93 per cent. This means that, before these three mergers took place, six to seven per cent of the American industry was in the hands of six small companies—small relative to

the three giants. If, out of those six smaller companies, you make three larger companies, you enable each one of them to conduct its business better, to present a better line of automobiles in different price ranges, better dealer representation and any one of a number of advantages. This not only does not penalize anyone competing against them but gives each one of the three new combined companies a far better position from which to compete against the three majors.

That is a perfect example of why we look, as Congress directed, at the relative position within the industry. This is only the first of many questions that must be asked in considering what the effect of the merger might be.

**Just what principle underlies the action against the Hilton Hotel chain?**

The issues are sharply defined in the complaint. Let's look at the problem. Congress said that the Department of Justice should file suit when there would probably be a lessening of competition in any line of commerce in any section of the country.

This calls for a determination of what constitutes a line of commerce. That is a troublesome question.

Obviously, we don't maintain that the Hilton-Statler chain, with its some 29,000 rooms in the United States, prevents anyone from going to some several million other hotel rooms, but are the other hotel rooms and the Hilton-Statler hotel rooms in the same line of commerce?

Would you say that a Delancey Street Hotel in New York competes with the Waldorf-Astoria? I don't think so. I think you have to draw a different line of commerce than merely, "hotel rooms." Then you have the problem, you might say, of what constitutes a first class hotel? Shall we draw the line there?

That points up again the problem of how we are going to define relative market area. What is the proper line of commerce? In this particular case, we have avoided the difficult problem of determining just what is first class, second class, third class, et cetera, in hotel rooms. This we did by focusing the ability of the Hilton-Statler Hotels, after their merger, to control, roughly speaking, about 46 per cent of the convention hotel business in the United States.

Now, if the convention business is a line of commerce, then the court will have to decide if this merger substantially lessens the competition which heretofore existed between Statler and Hilton, primarily in four of the largest American cities: Los

Angeles, St. Louis, New York and Washington. We do not limit our charges in our complaint to those four cities but we refer specifically to relief in those four cities as being the principal areas where this competition has been lessened to a degree which we believe to be substantial.

**You also have suits against Philco and the Radio Corporation of America. That raises a question of can there be two monopolies in the same general field?**

We have not charged either RCA or Philco with being a monopoly. We have charged RCA with monopolizing the business of patent licensing.

Thus we allege an unlawful monopoly achieved by the illegal accumulation of legal monopolies—that is, lawful patent grants.

The Philco case has nothing to do with monopolization. It strikes at

poration dealing with another corporation in which he has an interest has always stated that he would prefer not to vote on that particular transaction. This merely codifies a rule of conduct which has existed for a long time.

**What about the use of trade-marks and patents? Aren't these essentially monopolistic devices to guarantee a reward to a resourceful individual for his inventiveness or ingenuity?**

To a limited extent, trade-marks and to a more certain extent, patents, are most assuredly monopolies. The government grants them to encourage more inventiveness. We have no objection to that nor could we have any in view of the constitutional provision for legal monopoly that is given to a person who patents something. But we can object to the misuse of that patent monopoly by the merchant who picks up the proceeds

## WHAT MAKES A MONOPOLY?

**"Absolute size is absolutely irrelevant. Only significant is relative size in the context of a particular market. It doesn't make very much difference whether it is a weak monopoly or a strong monopoly, if it is a monopoly."**

restraint of trade by territorial restrictions on product sales.

**How about the question of substantial control over an industry through interlocking directorates, stock and that sort of thing?**

That is prohibited by Section 8 of the Clayton Act and we have a continuous policing of such interlocking directorates.

Little is said about it, but practically every month we bring to some individual's attention that he is violating the law. After he consults with his attorney and gets over his surprise he usually resigns from the less important corporation.

**Are there any apparent danger signals to indicate to an individual how many directorates he can accept?**

The common law has recognized for years that a man can't carry water on both shoulders. It is my experience that the careful businessman sitting as a director on one cor-

poration dealing with another corporation in which he has an interest has always stated that he would prefer not to vote on that particular transaction. This merely codifies a rule of conduct which has existed for a long time.

**How do cases against certain companies originate? Do other individuals or concerns complain to you or does the government decide on its own initiative?**

Both procedures are utilized but usually cases arise from complaints. Complaints come to us directly from the businessmen, from members of Congress, from protective associations or trade associations. Sometimes we act as a result of an independent examination.

**How do you conduct your investigations to develop basic facts and figures?**

We have a section in the Anti-Trust Division consisting entirely of economists, called our Economic Section. It is continuously making studies of given industries, not only on its own initiative but also under

## 50 MORE ANTITRUST CASES

*continued*

my direction if I think that some area needs examination. That has to do with the theory underlining the case rather than the facts.

When it comes to the facts, we usually ask for voluntary cooperation. If it is a large job, we always use the Federal Bureau of Investigation to obtain those facts. That again is purely a matter of voluntary compliance by the businessman. If that is refused we resort to legal processes available to compel evidence production.

**How far do you think it is appropriate for the government to go in requiring corporations to make their records available to you, since the corporation is being asked to prepare a case against itself?**

I don't agree that he is asked to prepare a case against himself. If he is violating antitrust laws, he has already prepared it before we get in there. It is merely a question of examination of his method of doing business.

Now, it is his right, as an American citizen, not to give us anything. A few companies take that position. We must then impanel a grand jury and obtain a subpoena to obtain the records.

**You have mentioned that businessmen may come to the Department and discuss their problems, looking toward a voluntary settlement. Could you explain how you operate this procedure?**

Yes. If we have come to a conclusion that (a) we propose to file suit, (b) it is to be a civil suit, then, if there are no unusual features about the case, we notify the defendant that we propose to file suit and ask him if he desires to discuss the matter.

If he does, we then advise him of the language of the complaint and give him some idea of why we think he is violating the law. We give him opportunity to discuss the matter with his lawyers and his board of directors and to determine whether or not they can agree with us that they have been doing some act which the antitrust laws prohibit.

If so, we try to work out a civil decree which would restore competitive conditions within the industry and eliminate the restraints of trade which we believe exist.

**Under such procedure, does the government lose its freedom of action or do you obligate the Department in any way?**

If the procedure leads to a consent settlement, then we draft a consent decree and ultimately file a civil case and the consent decree on the same day. That has the same binding force and effect as any litigated judgment. That, of course, is always subject to the approval of the judge of the court where the matter is filed.

**Is it not true that the government itself has contributed considerably in the past to the concentration of economic power through such things as wartime controls, the industry advisory committees, government loans and procurement policies?**

Most assuredly they do. We have a complex government. Various agencies have differing concepts of what is good for the businessman. For example, the President, I'm sure, wants to operate this government just as efficiently and economically as he can. He wants to stop subsidies to airlines, for example, wherever he can. He wants to get them on their own feet.

Now, the easiest way to do that would be to give one line a monopoly of that particular business to some particular area of the country. That would be, of necessity, opposed to the policy of the Anti-Trust Division. There are always conflicts of that kind and they are conflicts in perfectly good faith and with no reason to cover them up.

**Recently the government has licensed five companies to produce and distribute the Salk polio vaccine. That presumably is a sort of monopoly with controlled price and an allocation. It is a humanitarian thing and yet in theory it would appear to be a violation of antitrust law.**

In the first place, it need not be a monopoly if we have five pharmaceutical houses putting out the vaccine. I hope there will be competition between those five to reduce the price just as much as they possibly can for the children of America. I noticed in the papers a story that these five companies had jointly agreed to raise their prices. We immediately investigated and found that apparently there is no truth in it.

**American business and government are engaged in tremendous expansion overseas. The rest of the world has little concept of our antitrust laws. Does this raise problems for us in cartels and combines?**

It raises some of our most troublesome problems. Obviously, American companies should not be under any more handicaps than are necessary

in operating abroad. If an American company goes abroad, competes solely abroad with foreign capital, and has no effect on the foreign commerce of this country, there should be no application of antitrust law.

When American capital goes abroad and uses opportunities created by a different economic system to bring imports back to this country to compete with companies that are bound by our antitrust laws, that raises an entirely different problem.

**Have we been persuasive in any way in inducing any of our foreign friends to consider our—**

Yes, considerable progress has been made as far as enactment of laws are concerned in Western Europe particularly. Far more important have been the studies by teams of responsible businessmen sent here to find out what makes the American economy dynamic.

In a report issued last year, a conservative group of British industrialists placed our antitrust laws second on the list of things that have helped American industry to achieve its present position today.

The first, incidentally, was the American businessman's ability to analyze his own shortcomings without waiting to go broke.

**When the Department files a case you issue a press announcement that uses words like conspiracy, monopoly, price fixing, restraint of trade and so on.**

**These automatically create a derogatory connotation in the public mind. If the concern subsequently is vindicated the impression is still left that they are doing something reprehensible.**

**Is there any way of softening the phraseology or of not stigmatizing a defendant?**

I don't think in ordinary civil cases there is any stigma attached to being named as a defendant or practically every man in business in the United States would have that stigma attached to him. Few successful businessmen of any size have not defended a civil suit at one time or another during their business life.

You are bleeding for the innocent man. I point out that we win more than 86 per cent of the cases we file. That is a pretty good indication that we are not unjustly accusing people. The only reason that suits are filed is to correct what we believe is a violation of the antitrust laws.

**The Attorney General's National Committee to study the antitrust laws has recently turned in their final report. What purpose will this serve?**

For the first time in the history

of antitrust law in the United States, a summary of every antitrust decision of any consequence as decided by the American courts is now assembled in one relatively concise volume.

The significance of the report is that it strongly reaffirms the primary thesis that antitrust enforcement is good for our economy, at least partially responsible for the fine condition in which the American businessman finds himself today.

**This report hasn't been received with unparalleled harmony. For instance, Senator Estes Kefauver of Tennessee testified before the House Judiciary Committee that the Attorney General's Committee had brought in what he called a gigantic brief for nonenforcement of the antitrust laws. There have been other comments that the majority of the Committee were lawyers for the largest corporations in America. With that kind of criticism, can this serve the useful purpose for which it was intended?**

I think you will find that the only criticism of any consequence of this Committee's report was made by in-

time or another in the prosecution of antitrust litigation. I think those figures are the best refutation of any intimation that there was any slanting of the report by the manner in which its membership was picked. I think you will find that there is not a single individual on that Committee, no matter how liberal or conservative, who would suggest that there was any attempt to place on its members who did not act completely and thoroughly with the highest sense of integrity.

**Could you discuss some of the steps that you think ought to be taken to close loopholes in, or to further broaden the legal scope of, the antitrust laws?**

In answering that question I must differentiate between my personal opinion and my official position as Assistant Attorney General.

The Committee's report included 12 legislative recommendations as well as 73 administrative recommendations. The Attorney General has not, up to this time, determined just which of these 12 legislative recommendations, if any, and which of the 73 administrative recommen-

The Attorney General has not made a specific recommendation as yet, although he has suggested studies of the advisability of repeal of both of those Acts. I am personally in favor of their repeal because they are in conflict with one of the fundamental concepts of antitrust enforcement. That is the concept that no one should be able in concert with others to fix prices.

**Another controversial area is the question of how far the antitrust laws should go in applying to labor unions. Do you have any thoughts on what should be done?**

It is a difficult problem. Congress, by the enactment of Section 6 of the Clayton Act, partially exempted labor from the provisions of antitrust laws. That, for example, eliminates the possibility of the Department of Justice taking any look at the proposed amalgamation of the CIO and the AFL.

On the other hand, under judicial interpretations of the Labor Relations Act and the Taft-Hartley Act and Section 6 of the Clayton Act, there are areas in which the Anti-Trust Division still has jurisdiction, as for example under the facts of the Allen-Bradley case. That is the area where labor combines with a non-labor group or organization to enforce a conduct which is not pertinent to the usual purposes of a labor union.

We have prosecuted labor unions where they went beyond their lawfully exempted actions. Few people realize, I believe, that in the past two and one-half years, we have sued labor unions in 15 per cent of the cases filed by the Anti-Trust Division.

**Haven't these been mostly cases where you find collusion between the unions or union leaders in certain contracts with groups and trade associations?**

That is frequently the case, yes.

**Are you also finding now where unions that have developed these great welfare funds or other sources of revenue are now investing in business concerns or in stockholdership that brings them within the jurisdiction of antitrust?**

We have had a test case of their exemption, if any, under those circumstances on file for more than a year.

**But the broad basis of monopoly of skilled labor in a particular industry, that is still exempted?**

That is exempted by congressional action. We simply have no authority to question it.

END

## ARE LABOR UNIONS SUBJECT TO ANTITRUST?

**"Congress . . . partially exempted labor from the provisions of antitrust laws. We have prosecuted labor unions where they went beyond their lawfully exempted actions . . . in 15 per cent of the cases filed by the Anti-Trust Division."**

dividuals who were ready, able and willing to make the same criticism before the report was drafted. In my testimony on the Hill, I specified by exact count the number of the 61 members of the Committee who had appeared in Department of Justice records over the past ten years, representing defendants, large and small. That number was 22 out of 61.

In any law suit, there are ordinarily two sides to the question, if not more. So if you picked any group of experts, you would expect at least 50 per cent to have represented one side or the other. In this case, but 22 out of 61 had represented defendants and don't think that there aren't some small businesses that violate the antitrust laws.

Further, of those 22, eight had represented the government at one

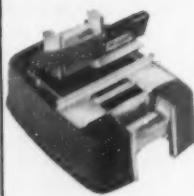
dations that apply to the Department of Justice, he proposes to follow. Until he does, I can take no position.

I will say that each one of these 12, in the opinion of the Committee, will constitute a substantial improvement in antitrust enforcement.

There are some other areas that I have discussed publicly, such as the possibility of revamping Section 7 of the Clayton Act. Here I have suggested a study of the present provisions whereby banking institutions are eliminated from the type of merger where assets are transferred and not from the other type of merger, where stocks are transferred. I see no reason for that distinction.

**What should be done about the Miller-Tydings Act and the McGuire Act?**

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# POOR MANAGEMENT TEMPTS EMPLOYEE THEFTS

By JOSEPH P. BLANK

EVERY businessman stands a good chance of being robbed. It won't happen at the point of a gun. While in process, the theft is painless and secret. It's being committed by an employee. In all likelihood he's being assisted in the crime by the boss's innocent collusion.

Thefts by employees have steadily risen in volume and cost during the past ten years and now rank with fire as the chief cause of business loss.

The take, according to conservative estimates, is \$2,000,000 every working day; or more than \$500,000,000 this year.

The crimes strike every kind of business, from the two-man hardware store to the automotive corporation with 40,000 employees. About \$30,000,000 of the loss is covered by insurance. The remainder is pure blood out of the heart of a business.

The crime is insidious and shocking because the thief frequently is a long-employed man or woman of unquestioned integrity. No common denominator can be found in the thefts. These criminals cut through all economic, social, national, religious and racial brackets, and include every business title from chairman of the board down to charwoman.

Aside from the employee thieves in retail, wholesale and manufacturing establishments, the roster includes the treasurer of an aid society who stole \$2,119; auditor of an athletic club, \$5,897; secretary of a fraternal order, \$13,302; treasurer of a labor union, \$25,000; chief clerk of a hospital, \$15,000; treasurer of a university, \$44,000. Even the insurance companies, which are hypersensitive about internal thefts and try hard to forestall them, have been clubbed hundreds of times for as much as \$180,000 by suddenly unscrupulous claim adjusters and executives.

Most embezzlements don't hit the big figures. They're under \$10,000,

like the \$2,596 lifted by a book-keeper who never seemed to have enough money in his pocket. He solved this problem by forging checks, then destroying them after cancellation by the bank.

No business is immune from thefts. Offices suffer losses in pencils, typewriter ribbons, books and stamps. When this pilferage becomes flagrant, it can hurt. One manufacturer figured an "excess consumption" of \$12,000 in office supplies for a single year.

Retail concerns are especially vulnerable. The clerk in a good market slips a pound of bacon into his coat pocket. The girl at the cosmetic counter of a drug store drops a lipstick into her purse. In one instance a detective agency was called in to find the person who took \$16,000 from a department store safe.



Using a lie detector the investigator questioned everyone who worked near the safe. Although the thief escaped detection on the first go-around, 36 out of 52 people admitted thefts of ties, socks, lingerie, costume jewelry and other articles.

While petty pilferage does nibble at profits, it's the big, business-crippling theft that worries management, the insurance companies and the district attorneys. The experts know several basic facts about these crimes. The crooks usually are men and women with no past criminal records. Sometimes they are driven to crime by a neurotic compulsion, like misguided resentment against the boss or achieving self-esteem by

proving they can outsmart the company. Generally, they steal out of a desperate need for money. The need, according to insurance men who review 30,000 claims a year, is first provoked by gambling—horses, poker, a get-rich-quick stock deal. Other reasons include "another woman," keeping up with the Joneses, extraordinary family expense like big medical bills, bad associates and inadequate income.

Without exception, investigators agree that the employer's slipshod way of protecting his business lends a helping hand to the criminal. Robert M. Bernstein, executive vice-president of Wilmark Service System, a firm that sets up methods to prevent losses at point of sales, estimates that 77 per cent of theft opportunities can be closed by active enforcement of normal business regulations.

Here are some general safeguards, based on recommendations by insurance companies, private detection agencies, the U. S. Department of Commerce and such experts as the late J. K. Lasser:

► Know the business history of key people, especially those who handle money. Applications of new employes should be investigated before they are given access to cash or checks.

► Always investigate the job of any person who refuses a vacation. It's



wise, too, to find out specifically why an employe needs to arrive early or stay late on the job.

► Establish the iron-clad rule that a numbered sales receipt must accompany every purchase. Station the cash register in the open where it can easily be seen by customers and employes. Keep the cash regis-



ter change fund as low as practicable. The customer should witness the entire transaction; taking the package should be the last step in the sale.

► If money seems mysteriously short at the end-of-day tally, a clerk may be turning cash over to a confederate, i.e., giving the "customer" change for \$5 when only \$1 was presented. In taverns, restaurants or drug stores, a waiter or waitress may get into the habit of undercharging in the hope of receiving a big tip in return.

► Divide labor involving money. A non-sales person should balance cash against sales slips or cash register



tape. Bank statements should be reconciled by a person not connected with cash or the handling of checks. The person who opens mail should not post the accounts.

► Checks should be numbered. Requisitions and purchase orders should support bills. Payment should be made only on proof that goods were received.

► People who handle cash should not prepare the payroll. The job of signing payroll checks should be delegated to a person who had no hand in the preparation of the payroll. Occasionally check the payroll against the actual number of working employees.

► Withdrawals from petty cash should be based on signed slips bearing the amount of money written out (no numerals) in ink. Petty cash should be checked at unannounced intervals.

► Stock room clerks should not take inventory.

► If possible, do not announce in advance the arrival of auditors.

And finally, the experts advise, every proprietor or member of management should take a good objective look at his business. Have haste, laziness and attempted efficiency corrupted sound methods and left open needlessly tempting avenues for theft? It's foolhardy to bank on the fact that no known inside pilferage or embezzlement has yet struck the business. It can always happen tomorrow. **END**

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# MENTAL ILLNESS ENDANGERS NATION

Victims of mental disorders today equal the nation's entire population in 1820. Poor facilities, inadequate research funds foster misery, cut down productivity, cause loss of workers **By SAM STAVISKY**

BETWEEN 9,000,000 and 10,000,000 Americans—some six per cent of our population—are suffering from serious mental disorders.

Committees, commissions, investigations have found the situation to be shocking, desperate, even dangerous to the national interest.

Dr. Elmer Hess, president of the American Medical Association, told AMA members that "one of the greatest medical problems in the United States today is that of mental and emotional illness. Leading psychiatrists believe that at least 50 per cent of all patients who come to physicians' offices have a mental or emotional disturbance along with their physical disability."

Although preliminary results from the use of two new drugs, chlorpromazine and reserpine, seem to promise new hope for the treatment of mental illness victims, medical men warn that much more research and study are necessary before the condition ceases to be a problem. Recognition of these research needs is emphasized by the recent Ford Foundation grant, which gave new stimulus to research in mental health through the allocation of \$15,000,000 for this purpose over the next five to ten years.

On any given day, 750,000 of the mentally sick fill every available hospital bed—just about half of all the beds in all the nation's hospitals and medical institutions. Another 400,000 should be hospitalized but facilities are lacking.

The remainder of the estimated 9,000,000 to 10,000,000 mentally ill, although they do not require hospitalization, are nonetheless so seriously incapacitated as to impair their ability to work, discharge their family responsibilities, function as useful members of their communities, or to serve in the armed forces.

"Today, when industrial productivity is so vital to the nation's economy and particularly to its defensive strength, we face the fact that between 20 and 25 per cent of all employes in any commercial or industrial organization are suffering from some form of mental disorder," Sen. George Smathers, of Florida, told Congress, basing his assertion on figures from the National Association for Mental Health.

"These disorders . . . result in impaired efficiency, accidents, poor morale, absenteeism, damage, destruction, and reduced production."

At least 1,000,000 man-years are lost annually because of mental illness, the National Health Assembly reports. This is equivalent to \$3,780,000,000 lost in 1953 in earnings alone, and approximately \$500,000,



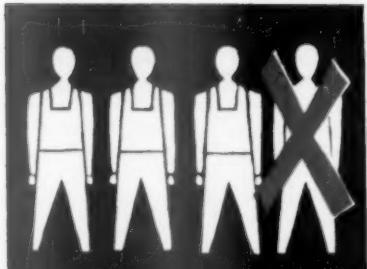
000 in federal income tax revenue on the earnings. Other experts estimate loss to industry through lowered productivity because of mental health at \$1,000,000,000 a year. More than \$1,000,000,000 a year is spent for treatment and care of the mentally sick through federal and state tax funds. Cost of public assistance is calculated at \$10,500,000,000 a year.

The medical statistics leave little doubt that mental illness is the nation's No. 1 health problem today.

Yet the magnitude of the problem makes for inaction, in the words of one expert. Instead of arousing public demand for positive action, the Hoover Commission says, the problem's size creates a public attitude of sympathetic apathy.

Not enough is being done to discover the cause, prevention, treatment, and cure of schizophrenia, senility, mental retardation and other more common forms of mental sickness. Schizophrenia, also known as dementia praecox, strikes early in life, and accounts for half of the mental hospital patients.

As a matter of fact, only three cents out of every dollar being spent today on medical research is spent in the field of mental health. This is approximately six cents a year for every man, woman and child in the country. The facilities for mental



Mental disorders of some kind are distressing 20 to 25 per cent of all employees. Congress was warned.



Experts say one of every 12 children born today will have to be hospitalized for mental sickness.

health research are so short of funds that some of the scientists in this field work in basements, closets, and in one instance, in a converted tombstone factory.

A recent analysis of research expenditures over the nation discloses that we are spending \$1,200,000,000 a year on military research; \$1,000,000,000 a year on industrial research; and only \$10,000,000 a year on mental research. The figures help explain why the United States has made comparatively little progress in this field.

The federal government, especially in its care of veterans, and some states have built new, magnificent structures for the special hospitalization of the mentally sick. But even many of these hospitals are overcrowded, understaffed. They are compelled to offer little more than custodial care.

Research has been—and unfortunately still is—but a small portion of our annual outlay for mental health. As a result, except for group therapy and use of dilantin in epilepsy, the major modern methods of mental illness treatment—electroshock, insulin treatment, lobotomy, psychoanalysis—have been developed in other countries, says Dr. Kenneth E. Appel, former president of the American Psychiatric Association.

So serious is the understaffing and overcrowding of American public mental institutions that much of the care in these hospitals is a mockery, in the words of Dr. Appel.

The House Committee on Interstate and Foreign Commerce, after a special hearing, reported a tremendous gap between the needs and the available resources in coping with the problem.

Public mental institutions, the committee found, are meeting only 50 per cent of their need for doctors; 24 per cent of their need for nurses; 23 per cent of their need for psychiatric social workers; 74 per cent of their need for psychiatric aides or attendants.

Even these figures do not tell the full story. Dr. George S. Stevenson, director of the National Association for Mental Health, has pointed out that a substantial percentage of these doctors and nurses are not trained in psychiatry; and the attendants are largely untrained, unselected and uninspired.

Furthermore, the staffing problem, already acute, is getting worse. For example, 16 southern states made a joint survey and discovered they were short 4,260 psychiatrists if their mental health programs were to meet the minimum standards set by the American Psychiatric Association. Yet, this same large area is expected to graduate only 272 new psychiatrists from all its medical schools in the next three years.

The Veterans Administration, which has to care for some 75,000 mentally disabled veterans, has made some progress in the way of research, and even more in the way

of training. But even the veterans' hospitals and clinics are short of trained manpower, and the Veterans Administration does not now have enough beds to care for some 16,500 mentally ill veterans knocking on the hospital doors.

It makes little practical difference whether the veteran acquired his psychiatric disability in uniform or out. For the most part, the Veterans Administration will have to care for these sick veterans—and all the taxpayers will have to carry the burden—because there is no room for them in state and county institutions.

Altogether, 718,000 men were discharged from the armed forces during World War II because of psychiatric reasons. Another 1,800,000 otherwise qualified young men were rejected for service because of mental disorders. The psychiatric rejects and discharges together are equal in numerical strength to 177 infantry divisions.

The military did take action within its own jurisdiction. Through the use of psychiatrists, the Army in Korea was able to return two thirds of the mental breakdowns to duty without the patient having to go outside the division area for care and treatment. Only four per cent of the Korean mentally disabled had to be evacuated to the United States for treatment, as against eight per cent in World War II.

Some few mental institutions in the United States—with highly trained, adequately manned staffs, up-to-date facilities, and inspired leadership—have demonstrated, as the Army has, that early, intensive treatment of the mentally ill can re-

## GREATEST NEEDS IN MENTAL HEALTH

1. Improve hospitals and train more psychiatrists, nurses, aides, attendants
2. Provide additional clinics, guidance centers and psychiatric services in hospitals
3. Develop the field of preventive psychiatry where bottleneck also is trained personnel
4. Provide more research funds, facilities and workers

sult in quick improvement and cure. Improvement or cure reaches 75 per cent for first-admittance patients within the first year of treatment for some of these institutions.

On the average, however, patients in the nation's 593 public and private mental institutions have been confined for eight years or more. Many of these institutions do little except prevent the mentally ill from injuring themselves or others. The concept of custodial care, accepted when the first mental institution was established in this country in Williamsburg, Va., in 1783, is still too prevalent.

Those closest to the problem increasingly realize that the general approach to care for the mentally sick in this country has been wrong.

"We have mistakenly sought to solve our problems by building and maintaining—at tremendous public cost—stitutions for custodial care of the mentally ill," said Dr. Leo H. Bartemeier, chairman of the Council on Mental Health of the American Medical Association. "In many

instances these institutions are nothing more than mental pesthouses, where patients are confined indefinitely with slight hope of cure."

The states have piled up a tremendous burden of cost in following the traditional hide-them-and-forget-them approach. New York alone, for example, spends one third of its operating budget annually on the care of its mentally ill citizens.

Due to a number of factors the rate of admission into mental institutions has doubled in 50 years.

The number of persons in the United States who are 60 or older has increased 25 per cent since 1939, but the number of patients in this age group in mental hospitals has increased 58 per cent. Today, one third of all first admissions to state mental institutions are persons 60 or older.

Noting this trend, Dr. Francis J. Braceland, president-elect of the American Psychiatric Association, commented:

"There is not too much use—and this is with the full knowledge of the humanitarian aspects of the problem—in saving us from some chronic

diseases if we are to have an inglorious end in a mental hospital . . ."

Testimony of experts before the congressional committees estimated that one out of every 12 children born today will, sometime during his life, have to be hospitalized for mental sickness.

We know this but we don't know how to prevent it.

The National Mental Health Committee points up the fact that mental illness or other personality disturbances are "usually significant factors" in the nation's annual outcropping of 1,750,000 serious crimes, 265,000 juvenile delinquency cases, 16,000 suicides; in the addiction of some 50,000 Americans to narcotics and in the problem of the 950,000 Americans suffering from severe chronic alcoholism.

Dark as the mental state of the nation appears—and it is ominously dark—there are some rays of hope.

Leaders in the field are seeking new methods of helping the mentally ill, such as foster homes, com-

## KILLERS AND CRIPPLERS: where we stand

ILLNESS	PEOPLE AFFECTED	EARNINGS LOST ANNUALLY	FUNDS FOR RESEARCH	THE OUTLOOK
<b>Heart Diseases</b> (No. 1 killer)	10,000,000 (553,000 killed 1954)	\$2,468,000,000	\$16,000,000	Dramatic progress made in heart surgery; radioactive iodine producing beneficial results in congestive heart failures; concerted research aimed at commonest killer—hardening of the arteries
<b>Cancer</b> (No. 2 killer)	700,000 under treatment	\$427,000,000	\$25,000,000	No breakthrough yet, but promising leads give hope for important progress within next 10 years
<b>Mental Illness</b>	9,000,000	\$3,780,000	\$10,786,000	Encouraging progress with psychiatric and chemical treatment. Need much more fundamental research
<b>Arthritis</b> (No. 1 crippler)	10,000,000	\$770,000,000	\$2,172,000	Present hormone treatments have proved excellent research tool; give hope for greater progress. Treatments not now curative, but relieve pain and restore victims to productive life
<b>Common Cold</b>	164,000,000 (avg.—3 per year)	\$1,000,000,000		Hope for important progress in next few years. National Institutes of Health and Navy Medical Center found and isolated new family of viruses associated with so-called common cold and such diseases of upper respiratory tract

munity clinics, day-care hospitals. New York and California in particular have taken the lead in extending more and better services to the mentally ill on the community level.

More clinics, for early diagnosis and treatment, for follow-up after intensive hospital treatment, is the goal of most mental health leaders today. More than 200,000 persons are being treated annually at clinics available in some 1,150 areas of the United States. The Veterans Administration has had particularly good results from its use of clinics.

Treatment—despite limited research—has been improved. Mental illness caused by pellagra has been virtually eliminated; paresis caused by syphilis has been sharply reduced. Cretinism (a congenital morbid condition) can be successfully treated if recognized early. Electric-shock therapy and psychosurgery are being developed.

Tests indicate that even the long-term mental patient, tied to the hospital for years, can be sent home to become a useful citizen again—after concentrated treatment. The new drugs which have been developed promise help, even cure, for patients long believed beyond any possible psychiatric aid.

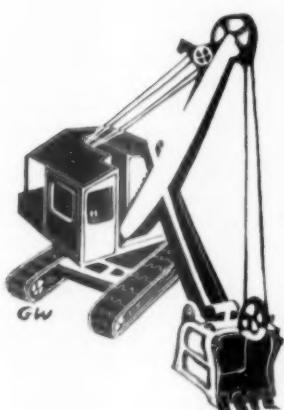
One of these new drugs is chlorpromazine. Developed in France, it

Some had been hospitalized as long as 20 years. Improvement was noticeable within a few weeks. Patients who had been unmanageable became tractable. Some had not been able even to dress themselves or tend to personal necessities.

So far, 20 have been discharged, although two had to be hospitalized again. Another 20 did not respond. The remainder showed improvement, while they had previously failed to respond to standard shock treatments. Some can be discharged soon.

Dr. Richard J. Graff, superintendent of the Manteno hospital, said results led to expansion of the treatment recently to some 300 other patients. While the drug holds out much hope for long-hospitalized victims, it is expected to prove even more potent among new patients.

Dr. Graff cautions, however, that present drugs must not be considered as the panacea for mental illness. In some cases they simply do not work. Doctors don't yet know why. Dr. Graff points out, too, that use of drugs is limited by the number of doctors since the treatment must be under medical supervision. Moreover, long-term results aren't known. After the limited experience, some evidence points to the fact that the drugs may not have lasting effects.



is used to relieve anxiety and tension and in some cases to lower blood pressure. Another is reserpine, developed in India. Hospitals all over the country are now using these with amazing results.

Typical is the state institution at Manteno, Ill., where Dr. Marianne Wallenberg Chermak, clinical director, and Dr. Dean C. Tasher began using reserpine after a pilot study proved the medicine the most promising development in years.

Last November the drug was given to a special group of 124 patients.



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# NEW AGENCY SCHEDULES TOMORROW'S PUBLIC WORKS

Independent office will coordinate federal, state and local plans calling for outlay running into billions

By ANTHONY H. LEVIERO

**PRESIDENT EISENHOWER** has established a new small agency to develop a shelf of federal and local public works projects to serve as economic health insurance.

He believes that, by careful advance planning, federal and local governments' capital expenditures—some \$12,000,000,000 annually—may be so scheduled that in times of "threatening economic contraction, they may become a valuable sustaining force."

Responsibility for making the schedule now rests with the Office of Coordinator of Public Works, headed by Maj. Gen. J. Stewart Bragdon, USA, retired. A former Assistant Chief of Army Engineers, General Bragdon is accustomed to big projects. He helped supervise the Greek aid program that contributed so much to save Greece from communist control. After his retirement several years ago he entered business in New York.

President Eisenhower called him to Washington a year ago to begin the work which he will now carry on in his own agency.

At that time public works coordination was a responsibility of the Council of Economic Advisers. Dr. Arthur F. Burns, council chairman, although more optimistic than some other economists that business will remain good, still wanted insurance for the future. He set General Brag-

don to work examining federal and local government construction plans for usefulness and proper planning.

Two studies were undertaken. In the first, the Bureau of the Budget was given the task of screening federal projects. U. S. government agencies must plan their projects six years ahead. The study showed that some 5,000 projects, totaling approximately \$10,000,000,000, could be started within two years. These jobs would provide 1,250,000 man-years of work and would create a considerable volume of induced work.

A local government inventory carried on through the Census Bureau is not so far advanced but has already uncovered deficiencies that need to be overcome.

This survey, based on a sampling of 4,068 local government units, showed 71,639 construction projects that would cost \$25,349,000,000. Projected on a national basis, this sampling indicated public works totaling \$31,000,000,000 but only about \$1,800,000,000 are ready to go. This would be only one year's work in terms of spending, and wholly inadequate from the viewpoint of a national public shelf that could be drawn on to stimulate the economy.

The jobs in the planned status totaled \$5,759,000,000 and the programmed \$17,776,000,000.

The definitions mean this: ready-to-go, a start can be made within

30 days; planned, a start can be made within six months; programmed, a start can be made in six to 18 months.

There are more than 100,000 state and local government units in the United States, but those canvassed included all 48 state governments, all cities with more than 10,000 population, all counties with more than 50,000, school districts with more than 3,000 pupils, and 1,036 other large special districts.

To enable the Coordinator of Public Works to work more closely with the people in maintaining an up-to-date inventory of projects, the President decided to divorce the agency from the Council of Economic Advisers, expand it somewhat and give it independent status.

He has asked Congress for \$180,000 to set up the new office and for a \$48,000,000 revolving fund.

This fund, to be appropriated in increments over three or four years, would provide interest-free loans to permit states, municipalities and county governments to undertake detailed planning so that, if a local industry suffered a setback, work could be starting immediately on public projects.

Under the plan, as local governments paid back their loans, the money would return to the revolving fund and be available to other communities. Since estimates are that it takes \$16,000,000 to \$20,000,000 to develop preliminary plans for jobs costing \$1,000,000,000, the proposed fund is expected to develop a shelf of local public works costing \$3,000,000 in the near future.

Dr. Burns considers the state and local projects particularly important for antirecession action, because they are much smaller than federal projects. The federal government's public works include many that would take years to complete, and for the most part they are concentrated in sparsely settled areas of the West.

On the other hand the local government projects are distributed evenly throughout the nation and they are in the population centers that would be the first to feel the pinch of a business fall-off. Therefore, these projects can be started quickly and can be cut off quickly if business improves.

A major aim, then, is to have a well-balanced reserve shelf of short-term and long-term projects so that the program may be operated flexibly.

Eventually the coordinator's office will select ideal sets of public works plans from various kinds of foresighted communities and offer them as models.

END

## PROXY WARFARE

continued from page 33

on stocks as a good place to put spare dollars. In 1949, a survey asked a typical range of citizens where they figured the best place was to put extra cash—in a savings account, government bonds, real estate or common stock. Only two per cent chose stock. When the question was repeated four years later, the percentage was up to nine. The New York Stock Exchange started a monthly investment plan last year. Within 12 months buyers had 330,000 shares worth \$11,500,000. Today there are 416 investment clubs whose members subscribe \$20 a month for stock purchases.

Thus, in a close contest, the independent shareholder can decide the winners.

The largest single bloc of shareholders, and one that votes nine times out of ten for management, is made up of institutions. These include insurance companies, savings banks, investment companies, pension and welfare funds, personal trusts, and nonprofit institutions. G. Keith Funston, president of the New York Exchange, figures that institutions own 28 per cent of all securities. They bought \$3,000,000,000 worth of common stock last year. This compares with \$300,000,000 in 1940. Since 1949, holdings of institutions have doubled—from \$34,000,000,000 to \$66,000,000,000 at the start of this year.

In the Montgomery Ward proxy contest, 91 per cent of banking stock was for management; 81 per cent of charitable trusts; 75 per cent of corporate companies; 95 per cent of educational institutions; 79 per cent of fiduciaries; 92 per cent of investment companies; and 88 per cent of insurance companies.

This was in sharp contrast to shares in hands of brokers, indicating individual stock owners. They voted only 26 per cent for management.

The publication, *Corporate Director*, sees the institutions as a kind of big brother who ought to prod lazy or inefficient management into mending its ways, and thus avoid heated proxy fights.

Employees make up another important bloc of shareholders. Some 70 companies have filed with the SEC plans for employee stock purchase plans. Typical is the Chesapeake & Ohio Railway. An employee of a year can buy from ten to 100 shares, paying at a rate of \$1 a share a month. There is no brokerage fee or interest charge on unpaid balance. Extra cash payments can be made at any time. An employee can withdraw

at any time and his money will be refunded.

The philosophy behind this and similar plans was explained by the C. & O.'s board chairman, Cyrus Eaton: "To make our system work, every American must become a capitalist. Every one of the more than 50,000,000 men and women who work in the mines and mills and in the factories, fields and offices ought to have a stake in the American system." (The Brookings study shows that 3.2 per cent of employees own stock in the company where they work.)

A final and strategic group of stockholders is company officials. Since 1950, when the Revenue Act was amended to let officers pick up holdings at an advantage, these ownerships have grown enormously. More than 400 large companies have offered restricted stock options to

construction scheme can really pack a hall; a crowded meeting is usually an angry meeting."

The spirit of today's stock owner came as a shock to the financial world. J. A. Livingston, the *Philadelphia Bulletin's* financial editor, wrote of the New York Central proxy fight, "Several brokers were astonished by the independence of their customers. Said one: 'We advised our customers to vote for the management when they asked our advice. In spite of our strong feelings and what we thought were winning arguments, our customers voted three to two for Mr. Young.'"

The *New York Post* asked, "Are America's stockholders—the owners of our industrial enterprises—awakening to the voting power they have and are they on a rampage, eager to display their power by firing the established managements and hiring the challengers?"

The SEC files are full of the stories of small Jack the Giant Killer stockholders, and how their campaigns caught on. A stock owner of the Chicago & Peoria Railroad, agitated by what he thought were bad management practices, put himself up for director and sent soliciting letters to 6,000 stockholders. He was elected and could have put an ally on the board with him had he had the foresight to anticipate the enthusiasm his letter evoked and proposed an additional nominee.

A classic case is the revolt of a small-city accountant against a multimillion dollar radio and TV manufacturer, Sparks - Withington Co., in 1950. John J. Smith of Jackson, Mich., bought stock in this, a home town corporation, as an investment. The company's assets were about \$9,000,000 and its net sales in the postwar era were \$16,750,000 a year. But net profits and stock dividends were, in his opinion, too low.

He demanded an independent audit of the company's finances, a limit on officers' salaries to \$25,000, and a three-man investigating committee elected by stockholders. He put his own savings, \$6,000, into the contest. With no professional advice or proxy soliciting firm working for him, Mr. Smith won control in six weeks.

One of his issues, salaries of management, is sure fire with today's shareholders. In almost every big proxy contest, the outs accuse the ins of milking off profits into salaries and pensions for executives. As a way of focusing attention on this issue, Mr. Wolfson would have both the stock exchanges and SEC require reports on all compensation to all officers and directors by any company which has reduced or passed a dividend.

This is one facet of the cam-



officers. A study of 1,043 corporations listed on the New York Exchange shows six per cent of the stock owned by officers and directors.

In many recent proxy contests, the stock ownership of management was a big issue. Robert R. Young in his bid for the New York Central boasted that all those on his directors' slate were stockholders with a heavy personal interest in the railroad's success, while management directors had relatively small holdings. Mr. Wolfson has contended that every director "should be willing to own 1,000 shares of any company in which he is a director . . ."

To this, John A. Barr, new chairman of Montgomery Ward, replied, "Directors should be chosen primarily for their business judgment and experience."

A second factor in the surprising growth of proxy contests is the show-me attitude of today's shareholder. In grandfather's day, a share owner who arose at an annual meeting to ask embarrassing questions was likely to be regarded as an atheist or socialist, or both. Today's shareholder has no such inhibitions. *The London Spectator* has pointed out, "A passed dividend, a heavy loss or a recon-

## PROXY WARFARE

*continued*

paign for shareholder democracy. Senator Lehman made a point of this, saying at the start of the committee investigation, "We will want to know whether there is adequate suffrage and adequate protection of the rights of suffrage in corporate elections — whether the influences brought to bear in these elections are within the bounds of propriety. We will want to know the extent to which management is, in fact, responsive to the desires of the real owners of these great entities of our economy."

This raises a disturbing question — who is going to run American industry, the managers or the stockholders? Will a given company be operated primarily to increase stockholder dividends, or to provide a service? When the Wolfson interests took control of Capital Transit, the Washington public transportation company, dividends were raised. But citizens' associations and newspapers complained that service was lowered and fares raised.

Few of these revolts could have been more than angry shouts in the night, but for the Securities Exchange Act. Before this act was passed it was difficult for outsiders to conduct proxy battles or get proposals before stockholders. Today there is a good deal of pressure on both the SEC and Congress to broaden the act's provisions so that any responsible minority stockholder can conduct a proxy fight or push a showdown on proposals for stockholder attention, at the cost of the company.

Another important factor in the changed proxy picture is the emergence since the war of a number of shrewd men who scan the horizon for companies that are undervalued, buy large blocs of stock and jump into a proxy fight for control. Even if they lose, the contest often pushes the stock value up. In 22 out of 27 contests in 1954, the stock went up during the fights.

The American Institute of Management denounces "adventurers who do not hesitate to promise the impossible to stockholders distressed at the turn of events and bewildered as to what to do. They seek out situations of partial failure, not because they are imbued with a desire to institute reforms which objective analysis show to be needed, but because only circumstances of distress can stampede the uninitiated stockholder into surrendering himself into their hands. . . . Their purpose is self-enrichment and the enlargement of

personal power. The consequence is that, should they fail . . . the legitimate complaints of men who mistakenly supported them cannot thereafter be voiced without arousing suspicion of ulterior motive."

These harsh words obviously apply only to a few. Equally bitter phrases are used to attack what Lewis Gilbert, known as the "professional minority stockholder," refers to as "corporation oligarchy and self-perpetuation."

The present concern of Congress and the SEC, as well as the stock exchanges, is how to keep the proxy contests from degenerating into slugging contests with no holds barred. The SEC admits it has neither the staff, training nor power to police the modern proxy contest closely. Its rules are based pretty much on a kind of honor system.

SEC regulations provide, in general, that shareholders have a chance to bring up issues for discussion and vote, and that management give full, truthful information through the proxy statement. Statements made by either side in the contests are submitted to the SEC for clearance. (In the New York Central fight, 272 separate pieces of literature were filed.) The Commission has the power of publicity. It can publicly denounce the tactics of either side in a proxy contest, and challenge the validity of statements made. This is a mighty power in a proxy contest, and could well decide the voting. The Commission, too, can go to the courts for an injunction against violators. Or, wilful violators can be sent to jail or fined.

The SEC has been cautious about exercising these powers. But at least one Commissioner, the chairman, J. Sinclair Armstrong, has admitted the modern proxy contest has become hard to handle. The policing job has grown enormously "due in part to the involvement of a large number of people who take part in preparing and distributing proxy materials and who are unfamiliar with the proxy rules."

Mr. Armstrong went on to say, "The most single difficult question arises from the effort almost invariably made by one side or the other to attack the personal character of individuals. Usually such an attack mentions people, places or events which by their very nature are such that we have neither the time, manpower or competence to make even a cursory check on their fairness and accuracy. Also, they may be couched in terms which raise serious questions as to whether they are misleading and inaccurate or omit necessary facts."

Both Mr. Armstrong and Ralph H. Demmler, President Eisenhower's first SEC chairman, have listed the most common abuses:

- Evading the rule that statements be filed with the SEC by taking part in press conferences or radio-TV forums where questions may be planted beforehand.
- Distorting business or financial facts to create inferences unwarranted by facts.
- Using out of context "statements made by courts, congressional committees or administrative agencies, or reference to indictments or unproven charges under circumstances which imply or infer conviction of guilt which has not been established."
- Expressing as fact that which should be clearly identified as opinion only.
- Resorting to personal attack on alleged association with criminals, communists, or references to illegal acts regarded as against public interest, or by use of defamatory extracts or reprints without supporting facts.
- Using libelous, defamatory or scurrilous material.
- Claims, promises or projections as to future earnings, dividends, sales and increases in value of assets or stock based on mere conjecture, without regard to general accepted accounting, statistical or financial principles.

The Administration sides with Mr. Demmler who said ruefully, "It would be hard to write a practical and fair set of rules for proxy contests. It is much easier to say there ought to a law than to write that law."

Senators who have been sitting through the hearings believe Congress or the SEC must move in firmly or the financial world must police itself. On this last possibility, the American Institute of Management has outlined a program to cut down on proxy contests altogether by bringing company and stockholder closer together.

Some points are: Closer contact with stockholders through letters and statements of company activities, personal contact, an impartial study of the sore spots in proxy contests, discussions of policy decisions, explanations of any apparent shortcomings of the company in relation to the rest of the industry.

But time is growing short. Unless the proxy contests are more orderly, Washington will move in with restricting rules or laws.

END

# BUSINESS STRUGGLES WITH 3 MINIMUM WAGE LAWS

PROSPECTS that this Congress will raise the general minimum wage to \$1.00 tend to obscure the fact that American business right now is operating under three minimum wage laws. They are:

## The Fair Labor Standards Act

Congress has fixed the hourly minimum wage at 75 cents. Commonly called the wage-hour law, it covers 24,000,000 workers engaged in or producing goods for interstate commerce. The Senate has passed an amendment to raise this minimum to \$1.00. The House has not yet acted.

## The Walsh-Healey Public Contracts Act

It authorizes the Secretary of Labor to establish pay levels in line with prevailing minimum wages for workers employed on government contracts of more than \$10,000. Under it, minimums—some of them higher than \$1.00—have been set for millions of workers in 57 industries.

## The Davis-Bacon Act

This requires payment of prevailing wage rates as determined by the Secretary of Labor for work on government contracts of more than \$2,000 for construction, alteration or repair of federal buildings, dams, harbors or other public works. These minimum rates run as high as \$3.80 an hour for bricklayers in New York City.

Davis-Bacon was passed in 1931. Walsh-Healey was passed in 1936 after the Supreme Court, in killing the minimum wage provision of the National Industrial Recovery Act, indicated that the government did not have authority to fix minimum wages.

Business opinion is that the passage, in 1938, of the Fair Labor Standards Act not only made the earlier laws obsolete but brought unnecessary complications to the whole wage structure.

Under Walsh-Healey, Secretary of Labor James P. Mitchell has set minimum wages of more than the 75 cent wage-hour minimum of the Fair Labor Standards Act in 23 industries.

The Labor Secretary also has announced that he proposes to raise the

minimum on government contracts from 75 cents to \$1.11 1/2 in the paper and pulp industry (but to only 99 cents on paper bags) and to \$1.08 in the envelope industry.

In addition, Secretary Mitchell is considering establishment of minimums for the first time in soft coal mining, lamp manufacturing, and office machines, and raising the minimums in photographic equipment, batteries, scientific instruments, men's neckwear, and tobacco.

Both Walsh-Healey and the Fair Labor Standards Act cover pretty much the same major protections of workers, but important differences complicate compliance and record-keeping. In addition to the difference in the minimum wages themselves, these include:

**Overtime:** Walsh-Healey requires time-and-a-half after eight hours a day as well as after 40 hours a week as required by the wage-hour law.

**Child Labor:** Walsh-Healey forbids employment of women under 18; wage-hour permits it on non-hazardous work.

**Exemptions:** Unlike wage-hour, Walsh-Healey has no exemption for retail and service establishments.

Exemptions for common carriers, agriculture, and canning and packing are worded differently, causing confusion.

**Health and Safety:** Walsh-Healey requires employers to maintain sanitary and safe working conditions; wage-hour has no such requirement.

**Record-Keeping:** Under Walsh-Healey, employment records must be kept four years after completion of a contract and must distinguish between those employees who worked on a government contract job and those who did not. Wage-hour records need be kept only two or three years, depending on their nature.

**Enforcement:** Walsh-Healey provides four possible penalties for violation: (1) \$10 damages for every day that a person is employed in violation of the child-labor provision; (2) making up underpayment of wages; (3) cancellation of contract, and (4) blacklisting, which would bar the employer from receiving additional government contracts for three years. Under wage-hour, an employer may be sued for recovery of back wages due, and an equivalent amount in damages. **END**

## Government has set these minimums

Law	Covers	Minimum	Set by
<b>FAIR LABOR STANDARDS ACT</b>	24,000,000 workers in, or producing goods for, interstate commerce	<b>\$ .75</b>	<b>CONGRESS</b>
<b>WALSH- HEALEY ACT</b>	Workers employed on government contracts exceeding \$10,000	<b>up to \$1.40</b>	<b>SECRETARY OF LABOR</b>
<b>DAVIS- BACON ACT</b>	Workers employed on government contracts for public works of more than \$2,000	<b>up to \$3.80</b>	<b>SECRETARY OF LABOR</b>

# Dime-a-week plan builds development fund

... Hazleton, Pa., residents

**work to attract new industries . . . Taxes cost you two hours and 35 minutes of your working day . . . Supermarkets now \$18,000,000,000 sales giant**

DETERMINED to pull themselves out of trouble, rather than to rely solely on federal and state assistance, residents of economically distressed Hazleton, Pa., are contributing to a fund designed to attract new industries to their town.

Hazleton's effort is known locally as the "Dime-a-Week" campaign. The aim is a ten-cent contribution from each citizen each week—or \$5.20 for the year. The fund-raising drive began last Dec. 1 and has already netted \$18,600. Goal for 1955 and for each of the following four years is \$25,000.

Thomas N. Stainback, executive director of the Greater Hazleton, Pa., Chamber of Commerce, which is sponsoring the campaign, says Hazleton needs new light industries to provide jobs for anthracite coal miners and other workers idled by a decline in the sale of coal.

Money raised in the drive will be used in various ways—to purchase land to be given to industry; to pay moving expenses for companies interested in coming to Hazleton; to clear and grade potential industrial sites.

The drive's sponsors are proud of the fact that the campaign reaches all people in the Greater Hazleton region and does not place the burden of an industrial fund campaign on the shoulders of businessmen alone.

## Of time and taxes

EVER wonder how long you must work each day to pay your taxes?

Some inquisitive folks at the Kentucky Tax Research Association have. Here are some of the things they learned from a study of the problem:

It takes the average man two hours and 35 minutes of each day to pay his direct and indirect taxes. In

other words, a man who earns \$4,500 a year and begins work each morning at 8 a.m. doesn't start working for himself until 10:36 a.m.

Here's how Mr. Average spends the rest of his day: To pay for food he works one hour and 27 minutes; housing, one hour and 24 minutes; clothing, 36 minutes; transportation, 42 minutes; medical and personal care, 23 minutes; reading and recreation, 20 minutes; other goods and services, 23 minutes.

## \$18,000,000,000 sales giant

AMERICA'S supermarket industry, which is doing business at an \$18,000,000,000 a year clip, will slow down next month long enough to catch its breath and to celebrate its Silver Jubilee.

Industry record-keepers say the first supermarket was opened by Michael Cullen of Jamaica, N.Y., in August, 1930.

The Super Market Institute had only 30 member stores when it was founded in 1937. Today it has 7,000 member stores, all of which do at least \$1,000,000 a year in business. Not included in institute membership are 11,000 other supermarkets operating in cities from coast to coast.

## Cities share microfilm expense

SIX Michigan cities have set up a cooperative program under which they will share expenses of and equipment for microfilming municipal records.

The cities are Farmington, Garden City, Holly, Plymouth, Wayne and Ypsilanti. They range in population from 2,325 to 18,302. According to the International City Managers' Association, each one plans to contribute \$150 to make up the \$900

needed to purchase a reconditioned 16 mm automatic camera.

Each city will buy its own \$225 film reader and a \$147 six-drawer file cabinet in which to store the film. The total capital investment for each will be \$522—to be provided in the 1955-56 budgets.

The association says the program will establish a more efficient method for filing and storing municipal records and will free vault and storage space in city buildings. Each file cabinet holds 600 rolls of film, which will record 4,200,000 letters or 12,000,000 checks.

One roll of film with 3,000 exposures measuring eight and one half by 11 inches costs \$3.50, counting the processing.

## Courtesy costs little, is worth a lot

OFFICERS of Kennedy Car Liner and Bag Company, Inc., of Shelbyville, Ind., have learned that customers appreciate a "thank you" when they have paid their bills on time.

L. P. Lockman, secretary and treasurer of the Indiana firm, decided to see what would happen if thank-you letters were sent to the prompt-paying customers.

Mailing of the letters began last November. The response since then has been overwhelming. Customers accustomed to hearing from a company only when they have been delinquent in paying a bill have been lavish in their praise. One man wrote, "In the hubbub of today's business it is seldom that anyone takes the time to give another a pat on the back. And that's too bad, for it means so much."

Mr. Lockman says of the response: "It is proof that courtesy can generate good will that is priceless yet costs little."

## New twists

MILWAUKEE—The Fiesta Drive-In Restaurant becomes the first drive-in located in the cold zone of America now equipped to operate on a year-round basis. Owner has installed a Perfection Infra Rayhead Gas Heater above each of the 50 car bays, to warm both patrons and the car hops who serve them.

NEW YORK—To fill need for quiet offices and recreation rooms in noisy areas of plants, the Industrial Acoustics Company, Inc., has introduced a series of prefabricated soundproof rooms.

Company says "Quiet Room" is scientifically constructed with high noise reduction characteristics in all frequency bands.

## **"Like adding another full-time salesman— for only \$75 a month"**

**That's what one company found when it  
used Long Distance systematically**

Recently the sales manager for an eastern electrical company decided to find out how Long Distance could be used to increase sales at low cost.

He called in a telephone company representative. They worked out a plan for integrating Long Distance into the company's sales program. The plan was tried—and results were measured.

The sales manager's summary: "The increased efficiency and additional orders produced by Long Distance are worth as much to us as one more full-time salesman on the road." The cost: only \$75 a month.

We have some specific suggestions on how Long Distance can save time and produce more sales in your business. We'd like to pass them along to you. Just call your Bell Telephone Business Office. A representative will visit you at your convenience.

### **LONG DISTANCE RATES ARE LOW**

Here are some examples:

<b>New York to Philadelphia . . . . .</b>	<b>50¢</b>
<b>Cleveland to Indianapolis . . . . .</b>	<b>90¢</b>
<b>Chicago to Pittsburgh . . . . .</b>	<b>\$1.15</b>
<b>Boston to Detroit . . . . .</b>	<b>\$1.40</b>
<b>Washington, D.C., to San Francisco .</b>	<b>\$2.50</b>

These are the daytime Station-to-Station rates for the first three minutes. They do not include the 10% federal excise tax.

**Call by Number. It's Twice as Fast.**

**BELL TELEPHONE SYSTEM**



# WE SING A BOLD SONG

"LET ME make the songs of a nation," said Andrew Fletcher, "and I care not who makes its laws."

He was discussing ways to regulate the government. Recent headlines—"Guaranteed Annual Wage," "Minimum Wage," "Protective Tariffs," "Federal Aid for Education," "Federal Aid for Highways"—suggest that our desire today is that the government shall regulate us.

But listen as the nation sings:

"Davey, Daavy Crockett, King of the Wild Frontier."

Perhaps it is brash optimism to suppose that this musical tribute to a rugged individualist is a bubbling up of an awakened national spirit of self-reliance; or to imagine that a moppet who puts on a coonskin cap and chants "his land is biggest, his land is best" is much concerned with the economic reasons why this is so. Nor, most likely, does the adult who hears

"freedom was fighting another foe" find anything there to alter his intention to swap a little freedom for a government subsidy.

It is probably even ironic that, while celebrating a man who scorned security four generations ago, we clamor for security in our lives and ask restraints on those who grow strong by challenging the frontiers of today.

Plenty of frontiers are left. So are men to challenge them. Our story on page 28 reports the adventures of one such man. Matching their daring to the needs of the day, they blaze trails into the wilderness of consumer desires and hack out new strong points of jobs and payrolls.

No folk tunes reward them. But in singing "Davy Crockett" we sing our admiration for the pioneer spirit of yesterday. There is hope that we may yet recognize it close at hand.

## WHY GOVERNMENT GROWS

THE SMALL BUSINESS ADMINISTRATION was created in 1953 with a fairly loose mandate to do three things: help small business get a fair share of government contracts; help it get adequate capital and credit; and help it obtain competent management, technical and production counsel. By early 1954 it had 500 employees, 32 field offices and the ambition, common to all government agencies, to grow.

To find work for employes and field offices as well as outlets for its ambition it was soon engaged in activities which, competent critics said, the long established Department of Commerce was already doing better. These critics suggested that the agency be discontinued and any necessary functions transferred to the Commerce Department.

Thus facing one charge of needless competition with the government of which it is a part, SBA, in an effort

to demonstrate its usefulness, has created a new service which also puts it in competition with the businessmen it is supposed to help.

The new project is a series of administrative management courses for small businessmen. Such courses are useful and business organizations, in cooperation with colleges, are already holding them in many places.

An example is Columbus, Ohio, where, for three years, the Chamber of Commerce, the Columbus Board of Education and Ohio State University have been sponsoring a Small Business Management Conference—at a price of \$12.

Now the Small Business Administration offers a competing course for \$60.

If the SBA faces compulsion to keep its people busy, some of them might be usefully employed finding out where—if anywhere—its services are needed.



## Make short work of a long list ...with one telegram!

WHEN you want to send the same message to many people, just give one copy of your telegram to Western Union with a list of names and addresses—and your job's done. Telegrams will be flashed to everybody on your list at the same time . . . whether the list contains five or five thousand names . . . or more.

Use this "One-to-Many" message service to build sales, capture buyers' attention, broadcast price changes, set up meetings—to make special announcements in

any situation where you want broad coverage and individual action. It's fast, easy and economical in time and money.

*when it means business*

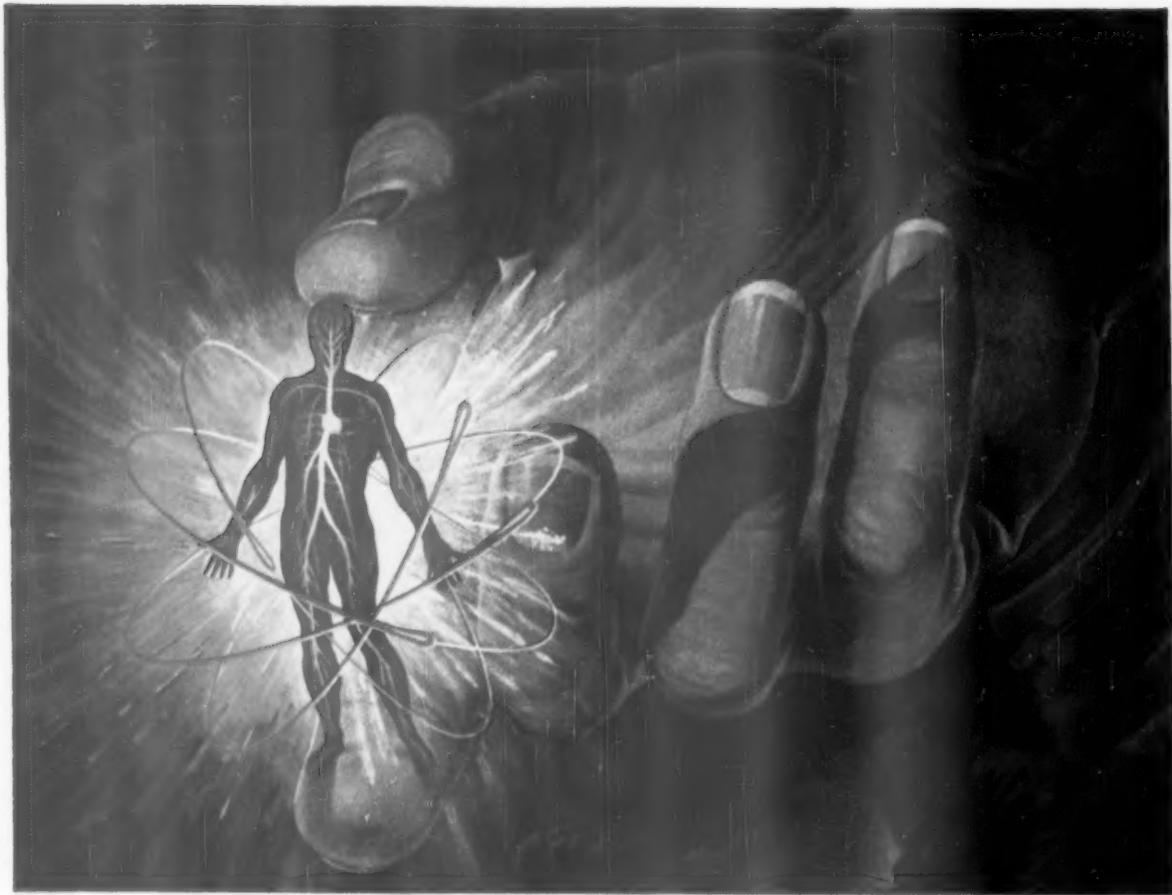
*it's wise to wire*

**WESTERN UNION**

**Now, You Get More in Telegrams**

You get 15 words instead of 10 to start with in fast wires . . . extra words cost only pennies. More words in night letters, too.

**WESTERN UNION**



Your health will be better since doctors can now use  
*the voice of the atom*

DOCTORS have long wanted to learn more about the human bloodstream—how it supplies nourishment . . . defends against disease . . . becomes diseased, itself.

**THAT WISH IS REALITY** today, because atomic energy has given a voice to certain of nature's elements. When these elements are exposed to the powerful radiation of splitting atoms, they become radioactive, themselves, and are called *radioisotopes*. The radiation they give off can be detected and heard with special instruments.

Now doctors introduce isotopes of iodine, iron, sodium, or other elements into the bloodstream. Their course can then be followed to determine the location and nature of the trouble. Isotopes are also becoming increasingly important in actually treating ailments.

**ISOTOPES** are being used in similar fashion by industry and agriculture to analyze materials, measure wear,

control processes, and to help answer mysteries of how plants absorb nourishment from the soil and how it affects their growth and health.

**THE PEOPLE OF UNION CARBIDE** operate, under Government contract, the Oak Ridge National Laboratory, the Nation's chief source of radioisotopes, as well as the huge atomic materials plants at Oak Ridge and Paducah.

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